HCCI Exhibit 22

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

	§	
In re:	§	Chapter 11
	§	
FIELDWOOD ENERGY LLC, et al.,	§	Case No. 20-33948 (MI)
	§	
Debtors.	§	(Jointly Administered)
	§	

30(b)(6) ORAL DEPOSITION OF
DEBTOR FIELDWOOD ENERGY, LLC
MR. MICHAEL T. DANE
May 13, 2021

30(b)(6) ORAL DEPOSITION OF DEBTOR FIELDWOOD ENERGY, LLC, MR. MICHAEL T. DANE, produced as a witness at the instance of the Sureties and Parties-in-interest, and duly sworn, was taken in the above-styled and numbered cause on the 13th day of May, 2021, from 9:37 a.m. to 6:43 p.m., before Michelle Hartman, Certified Shorthand Reporter in and for the State of Texas and Registered Professional Reporter, reported by computerized stenotype machine via Zoom videoconference, pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto.

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EXHIBITS

EXHIBITS (cont.)

EXHIBITS (cont.)

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THE COURT REPORTER: Okay. Can I get an agreement between Counsel, please, the court reporter can swear in the witness remotely.

MR. GRZYB: Okay with me.

MR. PÉREZ: Yes, ma'am.

MR. MICHAEL T. DANE,

having been first duly sworn, testified as follows:

EXAMINATION

Q. (BY MR. GRZYB) Good morning, Mr. Dane, and thank you for your time today. My name is Darren Grzyb. I'm a lawyer with the firm of Chiesa, Shahinian & Giantomasi. I have four surety clients that are involved in this case: Everest, Aspen, Berkeley, and Sirius.

It was our notice of deposition that was issued from my office signed by me that today's proceeding relates to. As I said, today is a deposition. Have you been deposed before, Mr. Dane?

A. No, I have not.

Q. Then I think it is important to start with some ground rules. The format of today's proceeding is a question-and-answer session. I will be asking you questions, and it is important that I issue verbal questions and you are to give me verbal responses. You can't shake your head, particularly

now that we're doing this by Zoom, but you shouldn't do that in the first place in a deposition. So it is important that you give me verbal responses.

It is also important that you understand the question. If I ask a question, and you don't understand it, but you give an answer, I will assume that you've understood the question. It is also important that you and I and Mr. Perez, to the extent he interposes an objection, don't talk over each other because our friend, Michelle, is transcribing everything that we say and, therefore, it will be hard for her if we talk over each other for her to transcribe what we say.

That's another point, the description of this. Michelle, Madam Court Reporter, is typing out all the words that we say. So at the end of this, what we will have is a transcript of everything we say: My questions, Mr. Perez's objections, and your responses.

It's also important that if you would like to take a break -- it could be a long day, I have no problem with us taking breaks, so if the challenge might be that you're not in the same room with Mr. Perez, I will be very understanding if you want to take a break; and frankly, I will likely need

to take breaks during this process as well.

That's all I have for now in terms of ground rules. If you have any questions as to the ground rules, let me know.

Do you have any questions?

A. No, thank you very much.

MR. PÉREZ: So, Darren, this is Alfredo Perez, before we get started, the -- you've provided us -- we have had the courtesy of you providing us several depositions with the exhibits that we have reviewed. Several of the exhibits have been marked "Confidential" and several of them have been marked "Highly Confidential," pursuant to the Protective Order that was ordered by the Court.

So I just want to make sure that everyone on the -- that is in the Zoom deposition -- and there are approximately 40 participants -- has either agreed to be bound by the terms of that and that there aren't -- there isn't anyone here who's otherwise not -- you know, that -- that the debtor is protected as a result of that deposition.

So I suspect that when you're going in -- when you're going into documents that were marked "Highly Confidential," you'll alert us so that we can check that again, but that is my only comment at this

time.

MR. GRZYB: So, thank you, Alfredo. Now I guess the question becomes: How would we do the exhibits generally? And then you raise a good point about the confidential exhibits. Jase distributed our exhibit list. I think it's been updated and it's in share file.

Q. (BY MR. GRZYB) Mr. Dane, I don't know, do you have the share file with the exhibits?

A. I have access to the ARIES site that you provided the exhibits to. Is that the share file you're referring to?

Q. Yeah, it would have been from Jase Brown, and right now it has got 26 exhibits listed.

A. Yes, yes, right, I do have access to that.

MR. GRZYB: We were thinking -- I guess, we should get confirmation now, Alfredo -- that everyone is a professional in terms of the nondisclosure agreement and request for anyone to speak up if they are not a party to that nondisclosure agreement, you know, mute and tell us whether they are or not.

Is that a good way to handle it, you think?

MR. PÉREZ: You could do it that way.

MR. GRZYB: So I will ask: Is anyone that is on this Zoom call not subject to the confidentiality agreement from the bankruptcy?

MR. ALI: Hi, this is Serajul Ali for the United States. I don't believe the United States is a party to that confidential agreement, and they have other obligations, so I'm fine with the government.

MR. GRZYB: Now, one thing I didn't ask is: Are you okay, Alfredo, with me asking Mr. Dane to pull up from the data room the exhibit I'm referencing, or would you prefer that I do -- I don't think I can do a share screen. I prefer -- actually, I would prefer it if he pulled it up from the data room.

MR. PÉREZ: That's fine. It is going to -- that's fine, it is just going to -- he's going to be able to do that a lot quicker than I am, so it might slow it down a little bit, but yeah, that's fine.

MR. GRZYB: So in talking with Jase, maybe it makes sense if, Alfredo, you're okay with me sharing the documents, notwithstanding that there may be some confidential and highly confidential documents in light of the, you know, consent by

silence that everyone will comply with the nondisclosure agreement.

Are you okay with me doing a screen share of an exhibit when I need to use it?

MR. PÉREZ: For the most part, yes. There is a particular sensitivity to like the ARIES database. That I think he can look -- he can look that up a little easier, but for the most part, I would be okay with that.

MR. GRZYB: I can't speak for everyone, but I have very few questions about the ARIES database.

MR. PÉREZ: All right. So then that --

MR. GRZYB: I probably won't need to even pull that one up, so --

MR. PÉREZ: Okay. Well, let's just get started and we will address it when they come up.

Q. (BY MR. GRZYB) Mr. Dane, who do you work for currently?

A. Fieldwood Energy, LLC.

Q. What is your educational background?

A. I attended McGill University, and I obtained a bachelor of commerce degree.

Q. What year did you obtain your bachelor of commerce?

A. 2005.

Q. Is there a -- roughly speaking, an American equivalent to a bachelor's equivalent?

A. It is a business degree, a bachelor's degree.

Q. Do you have any engineering training?

A. I don't have any formal engineering training.

Q. How would you describe your informal training?

A. I work with a broad team of engineers at Fieldwood.

Q. Broad in terms of the number of engineers or the type or specialty of the engineers or both?

A. Both.

Q. What types of engineers do you work with at Fieldwood?

A. We have production engineers, reservoir engineers, mechanical engineers, chemical engineers, project engineers, other -- other technical experts in various other areas.

Q. Production, reserves, chemical, construction (sic)?

A. Correct.

Q. Any other types of engineers?

A. Those are the broad categories of engineers that we work with.

Q. In your day to day, do you -- are these engineers retained -- I will rephrase.

Are they employed directly by Fieldwood or are these outside consultants?

A. Both.

Q. Do you have -- do you have -- personally have training in reserves analysis?

A. I do not have any formal reserves analysis training.

Q. How about informal reserves analysis training?

A. Yes, I work with both reserve data and reserve engineers on a regular basis.

Q. Have you ever taken a course in reserves analysis?

A. No.

Q. Do you have any formal training in the oil and gas industry?

A. Yes.

Q. What is -- describe that training, please.

A. 16 years of on-the-job experience.

Q. No educational training, though, correct?

A. No.
Q. Do you have any formal training in accounting?
A. Yes.
Q. Please describe that training.
A. I received a bachelor of commerce degree from McGill University, which was a business-focused degree.
Q. Now, you mentioned 16 years of on-the-job training in the oil and gas industry.
Where did that start?
A. I was an equity research analyst from Suntrust Robinson Humphrey from 2006 to approximately 2008. I was a manager of finance at Dynamic Offshore Resources, and I have been employed in various roles at Fieldwood Energy since 2013, as well as other consulting opportunities in other board seats that I have had.
Q. What was your first position at Fieldwood in 2013?
A. Manager of finance.
Q. When you started in 2013 as manager in finance with Fieldwood, were you involved in the acquisition of the Apache properties?
A. Yes.

Q. What was your involvement?
A. I was in a finance-focused role, and so I was involved in the original deal execution and financing, along with a broad team of folks both at Fieldwood and at Riverstone.
Q. Were you the finance lead with respect to the acquisition in 2013?
A. We had a CFO at the time, so I would consider him the finance lead, in addition to the professionals at Riverstone.
Q. Now, who is Riverstone, is that a consulting outfit?
A. Riverstone's a New York-based energy-focused private equity firm.
Q. Who was the CFO that you mentioned?
A. Howard Tate.
Q. And is Howard Tate still with Fieldwood?
A. No, he is not.
Q. Did you engage in 2013 in an analysis of the reserves of Apache properties?
A. Do you mind clarifying? Are you asking if I have personally engaged or if --
Q. Did you -- yes, did you personally perform reserves analysis of those assets in 2013?
A. I did not perform the reserves analysis

in 2013.

Q. Did someone for Fieldwood perform that analysis?

A. I believe I recollect that we had internal engineers that performed that analysis, alongside outside reserve engineers at that time.

Q. Was your outside consulting firm at that time Ryder Scott?

A. I don't recollect.

Q. For how long were you a manager of finance after you started in 2013?

A. I believe it was two years.

Q. What was your next position?

A. Vice president of finance.

Q. How did your -- is that your current role?

A. No, I'm senior vice president of finance and chief financial officer.

Q. Was there any steps in between vice president of finance and senior vice president and CFO?

A. Yeah.

Q. When did you become senior vice president and CFO?

A. 2016.

Q. So in your current role as senior vice president and CFO, what are your day-to-day responsibilities?

A. I oversee a number of functions at the company. Generally speaking, I'm involved in the management of the business. As a whole, as part of our executive leadership team, I oversee a number of specific departments within my day-to-day responsibility, which include accounting, finance, treasury, tax, procurements, and I.T.

Q. Do you have any responsibility with respect to the operation of the company?

A. Yes.

Q. How would you describe that responsibility?

A. I'm a member of our executive leadership team which has responsibility for overseeing all the functions of our business.

Q. Who else is on that executive leadership, Mr. Dane?

A. Gary Mitchell, our senior vice president of production operations; and Tommy Lamme, our senior vice president and general counsel.

Q. Now, this executive leadership committee with its oversight function, would that include --

that would include production, correct?
A. Yes.
Q. Acquisitions?
A. To the extent there were any, it would.
Q. Sales?
A. To the extent there were any, it would.
Q. Decommissioning responsibilities?
A. Yes.
Q. The leadership committee, other than those broad categories which we just described, do they perform any other oversight functions with respect to operations and fieldwork?
A. The executive leadership is effectively responsible for the functions of the office of the CEO, and so it oversees all of those particular functions of the business.
Q. And I don't mean to mischaracterize what you just said, but are you saying that the executive committee serves the function of what otherwise would be a CEO?
A. That's right. It is -- the executive leadership team effectively manages the duties of the office of the CEO.
Q. The executive leadership committee has oversight with respect to Fieldwood's performance of

its major contracts, correct?

MR. PÉREZ: I'm sorry, can you repeat the question?

MR. GRZYB: Michelle, can you have it read back, please.

THE COURT REPORTER: Sure, one moment.

(The record was read as requested)

MR. PÉREZ: I'm going to object to the form of the question: Vague.

Q. (BY MR. GRZYB) You can still answer it, Mr. Dane.

A. The executive leadership team oversees -- as I stated, the executive leadership has the responsibilities and the duties of the CEO, and we oversee all the different functions and departments in that capacity.

Q. From an operational perspective -- I will strike the question.

(Exhibit 1 marked)

Q. (BY MR. GRZYB) I'm going to ask you now to please pull up Exhibit 1.

A. I apologize, my -- the data site that I'm looking at doesn't have something labeled as Exhibit 1. It has -- and I may be looking at the incorrect data site, but I'm in the deposition

exhibit folder.

Q. I'm going to -- I'm just going to share with you right now. And if you need a better way to review a document, just let me know, okay?

(Discussion off record)

Q. (BY MR. GRZYB) All right. Can you see this document here that says -- is captioned "In the United States Bankruptcy Court for the Southern District of Texas"?

A. Yes, I can.

Q. Notice of 30(b)(6) Deposition of Debtor Fieldwood Energy, LLC?

A. Correct.

Q. Before I go to the subpoena, I'm looking at my outline and realized I missed a few questions that I wanted to ask more about your background.

Who are your direct reports in your current role at Fieldwood?

A. My direct reports include Bill Swingle, our chief accounting officer, Doug Seal, our director of procurement, John Deck, our vice president of I.T., Jerad Bloom, our treasurer. I may have additional direct reports I would need to consult with our organizational chart.

Q. All right. If our questioning makes you

think of someone else, let me know.
A. Okay.
Q. Going back to the shared screen, this is the Rule 30(b)(6) Deposition Notice that we served in the bankruptcy proceeding referenced here, Case Number 20-33948 In Re Fieldwood Energy, LLC, et al.
Are you familiar with this document?
A. I believe so. Would you mind scrolling through the whole document for me, please.
Q. Yeah, I just -- I was going to ask Jase a question. One second.
(Discussion off record)
MR. GRZYB: Michelle, there is no way I can give Mr. Dane control of the document, is there?
(Discussion off record re exhibit)
Q. (BY MR. GRZYB) All right. I think I will just scroll through it. I will share, and you let me know when you're ready for me to move on, all right, Mr. Dane?
A. Okay, I have access to this, yes, thank you.
Q. So I don't -- I need to share or I don't need to share?
A. I'm able to view it on my screen, so I don't need you to share.

Q. All right. Good. All right. Exhibit 1 is the Notice of 30(b)(6) Deposition of Debtor Fieldwood Energy, LLC.

Is that what you have for your Exhibit 1, Mr. Dane?

A. Yes.

Q. An eight-page PDF?

A. Correct.

Q. Please take a minute to scroll through, read it, take as long as you need to get yourself familiar with the document.

A. Okay.

Q. Have you reviewed this document previously?

A. I have.

Q. Can you confirm for me that you are the corporate designee for Fieldwood in response to that subpoena that is Exhibit 1?

A. That's correct.

Q. Now, if you will, Mr. Dane, please go to what's labeled Exhibit G, it starts on page six of the PDF, and review the 38 -- the list of 38 items, topics and confirm, if you will, that you're the designee for Fieldwood as to all of those topics.

A. That's correct.

MR. PÉREZ: Counsel, he is the corporate representative of, you know, subject to the limitations that were agreed to with respect to, you know, a couple of the items including the expert reports, et cetera.

MR. GRZYB: Okay.

Q. (BY MR. GRZYB) Is anyone else being designated by Fieldwood for these topics?

A. I would defer to our counsel if that's correct, but I believe at this time that I am the only corporate representative unless -- unless others are acquired.

MR. GRZYB: So sorry, Alfredo, he, Mr. Dane, is going to be the only designee?

MR. PÉREZ: Correct, Mr. Dane is the only designee with respect to these 38 items, subject to the e-mail exchange regarding the limitations on several of them.

Q. (BY MR. GRZYB) Subject to that -- and this is back to you, Mr. Dane: Subject to that limitation, and we can pull it out if needed -- well, let me ask it more directly. Strike the question.

Mr. Dane, is there any topic listed here about which you have no knowledge or information?

A. I don't believe there is a topic of which

I have no knowledge.
Q. When did you first see this 30(b)(6) notice that is Exhibit 1?
A. I don't recall the exact date, but I believe it was within the last week or so, a week to ten days.
Q. Did you meet with anyone to prepare for this deposition?
A. Yes, I did.
Q. Who did you meet with?
A. I met with our counsel, and then I met with various internal subject matter experts.
Q. Do you recall who the first subject matter expert was with whom you met?
A. I don't recall in this order of sequencing the first subject matter, that expert that I met.
Q. Name one.
A. Brandon DeWolfe, our VP of decommissioning.
Q. Was Counsel present during that meeting?
A. Counsel was present in one of the meetings in which I met with Mr. DeWolfe.
(Phone rings)
Q. (BY MR. GRZYB) What other subject matter

experts did you meet with in connection with your preparation for this deposition?

A. I met with John Seeger, our senior vice president of operations; I met with Gary Mitchell, our senior vice president of operations; Tommy Lamme, our general counsel; and senior vice president, Steve Bodden; our director of production, Patrick Eiland; our senior vice president of HS and E; and various members of our finance and -- of our finance team.

Q. Before you said various members of your finance program. I didn't catch what -- H and E, is that what you said?

A. I'm sorry, H S and E.

Q. H S and E. And what does that stand for, Mr. Dane?

A. Health, safety, and environmental.

Q. And who was that individual that you met with in connection with health, safety, and environment?

A. Patrick Eiland.

Q. And the individual that you identified for production, who is that? I just missed it.

A. Gary Mitchell, and Steve Bodden.

Q. Did you review any documents in connection with your preparation for this deposition?

A. I did.

Q. Can you describe the documents that you reviewed.

A. I reviewed a broad set of documents that I believed as a number of the topics outlined in these items, in these 38 items, including -- including various exhibits that were provided.

Q. Did you -- were binders in any way prepared in connection with your preparation for this deposition?

A. Yes.

Q. Now, generally speaking, are those papers binders or electronic binders?

A. I have a paper binder, and I also have an electronic data room site that was -- that was provided for me.

Q. Who prepared the paper binder?

A. Our counsel provided that.

Q. What about the data room?

A. Our counsel, along with some internal assistants.

Q. Give me one second.

Apart from the paper binders and the data room, did you review any other documents?

A. Yes, I reviewed various documents.

Q. Can you identify me a document, apart from the paper binder, that you reviewed in connection with this deposition?

A. A singular document, any document?

Q. Yeah, just to get the ball rolling. I'm just --

A. Various internal reports. I reviewed -- the binder that I had was exhaustive for all these lists, so I looked at various schedules that I thought were relevant. As an example of a single document, I reviewed the operational transition plan documents that we provided and presentations, certain presentations that we provided to parties in this case. For instance, the presentation that we provided to the surety as part of our -- one of the particular sureties, your client, as part of our initial conversations.

Q. Operational transition plan, which client are you referring to of mine?

A. Yeah, those two comments I made were separate comments. The operational transition plan related to predecessors and the client that I was referring to amongst the surety group, the document I was referring to was a presentation that we provided to Berkeley and to Aspen -- or correction, just

Berkeley.

Q. When was that presentation made, Mr. Dane?

A. I believe that that presentation was made in January.

Q. When was the operational transition plan created?

A. Those documents were created --

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: The documents were created in the first quarter of this year and they were finalized and uploaded to all the parties in March.

Q. (BY MR. GRZYB) Are there any other documents that stick out in your mind that you reviewed in connection with your preparation for this deposition?

A. Nothing specific beyond this.

Q. Can you give me an estimate of the amount of time you spent preparing for this deposition?

A. I would estimate that I spent two to three hours a day over the course of the last five business days.

Q. Not including your discussions with firm counsel, outside counsel, did you meet with anyone

outside of Fieldwood in connection with your preparation for this deposition?
A. Not that I recall.
Q. Did you meet with anyone from the secured lenders in connection with your preparation for this deposition?
A. No, I did not.
Q. Did you e-mail with anyone from the secured lenders in connection with this deposition?
A. Not that I recall.
Q. Did you meet with anyone from Apache Corporation in connection with your preparation for this deposition?
A. No, not that I recall.
Q. How about e-mail with anyone from Apache Corporation in connection with your preparation for this deposition?
A. No, not that I recall.
Q. What about telephone conversations with anyone from Apache in connection with your preparation for this deposition?
A. Those are all the communications that I've had with Apache in preparation for this deposition.
Let me qualify that. There was one --

there was one specific question that we inquired of -- and this was -- I am not sure this is -- no, excuse me, my statement's correct, I don't recall any communications we've had with Apache with respect to this deposition.

Q. Well, it sounds like you've had a recent communication with Apache, generally speaking.

A. We have on -- they're obviously an important stakeholder in that process, we have regular communications with them and their advisors.

Q. Is there a person in particular at Apache that you personally deal with in connection with this reorganization?

A. We deal with their legal group, generally speaking.

Q. Is there a businessperson, point of contact for you to reach out to that -- I will rephrase the question.

Is there a businessperson at Apache that you interact with?

A. There is not a businessperson that I personally interact with at Apache on a regular basis.

(Phone rings)

Q. (BY MR. GRZYB) What about anyone -- does

anyone on your team interact with businesspeople at Apache?

A. Yes.

Q. And who would that be? Let's start with the Fieldwood representative, and then we will go over to the connection at Apache.

Who would the Fieldwood representative be that you were just describing?

A. John Seeger and Brandon DeWolfe.

Q. And who would the business contact at Apache be?

A. I don't know exactly who their business contacts are, but I believe there is a gentleman Clay, I don't recall his last name. Maybe it is Britches.

Q. Can you describe the substance of the conversations that have been had between Mr. Seeger and Apache?

MR. PÉREZ: Object to the form of the question: It calls for speculation.

THE WITNESS: We are obviously involved in a significant transaction with Apache. This is a very complex transaction given the size of -- the size and nature of the assets, and so there is a lot of coordination and alignment that needs to take

place in order to make sure that the transaction is implemented as it is designed, and so it is general coordination around the implementation of the transaction that's described in the various agreements.

Q. (BY MR. GRZYB) So is it safe to say that Mr. Seeger interacts with directly with Apache in connection with the operation of the assets that Fieldwood acquired in 2013?

A. I don't think that's correct. We have discussed, on occasion, various topics that may be relevant to that restructuring and our transaction with Apache. We do not consult Apache on our operations. They're not a party to those operations. This is in conjunction with implementing the overall transaction that's described in our documents.

Q. I like your word "implementing." What does that mean, how things will happen after plan confirmation in your eyes?

A. That means many things. It means making sure that we're aligned on how these arrangements intend to function. It means properly setting up all of the documentation in a manner that describes the transactions the way that both parties expect them to function.

Q. All right. From the business -- a business perspective, is it safe to say that Mr. Seeger is primarily responsible for negotiating with Apache with respect to the transactions and the Plan of Reorganization?

A. No, I don't -- I wouldn't describe them as primarily responsible.

Q. Who at Fieldwood is primarily responsible from a business perspective of negotiating the transactions contemplated by the reorganization with Apache?

A. I would say that myself and our senior vice president and general counsel, Tommy Lamme, are generally responsible.

Q. Can you describe for me, please, the substance of the conversations or communications between Mr. DeWolfe and Apache.

MR. PÉREZ: Object to the form of the question: Calls for speculation.

THE WITNESS: I don't know the specific conversations that he's had. He's our senior vice president -- excuse me, he's our vice president of decommissioning, so the topics that he generally addresses are decommissioning related.

Q. (BY MR. GRZYB) To use your word,

"implementation," would it be safe to say, in your mind, that Mr. DeWolfe is in communications with Apache about implementing the decommissioning aspects of the reorganization transaction with Apache?

MR. PÉREZ: The same objection: Calls for speculation.

THE WITNESS: I don't know the specific conversations that he has with his counterparts, but, as is obvious from our plan, there is a large component of decommissioning, and Apache is the primary predecessor and the trust of our shelf asset base, and so those topics are very relevant for them and relevant to the transactions that we're discussing.

Q. (BY MR. GRZYB) In preparing for this deposition, and in connection with your meetings with Mr. Seeger, did you discuss any recent communications that he had with Apache?

A. I don't recall speaking to him about any recent conversations he's had with Apache.

Q. In connection with your preparation for this deposition, and in your conversation with Mr. DeWolfe, did you discuss recent conversations between -- I will do a better job than that. In connection -- strike the question.

In connection with your preparation for that meeting -- let me try again.

In connection with your preparation for this deposition, and your meeting with Mr. DeWolfe, did you address communications between Mr. DeWolfe and Apache?

A. I don't recall that we discussed that.

Q. Did you review the Plan of Reorganization in its current form in preparation for this deposition?

A. Yes, I did.

Q. Including all of the agreements and attachments?

A. I don't know that I would say I reviewed them all, because unfortunately, the document is quite extensive, but I reviewed what I thought were the relevant topics.

Q. Is there anything in your mind that you did in connection with your preparation for this deposition that we haven't already covered?

A. I think -- I think you -- I think we covered my preparation.

Q. When did Fieldwood first meet with its secured lenders regarding a potential restructure?

A. I believe in the late March 2020 time

period we had initial conversations related to certain modifications that may be required to our credit agreements. At that time we didn't speak specifically about a restructuring, but those were the first conversations that we had with our lenders, which ultimately resulted in the plan of restructuring that we pursued.

Q. Did you participate in those discussions?

A. I participated in most of those discussions.

Q. Who else from Fieldwood participated in those discussions?

A. Our CEO at that time, Matt mechanic carol was also very involved in those discussions.

Q. What was the modification that you requested?

A. We have a provision -- we had a provision in our credit agreements at the time that required an audit not be qualified -- not require -- excuse me, not have any going concern qualification language, and given the conditions that were present in 2020, at that time it was -- it was likely that we were going to have that language in -- in our audit, which was anticipated to be issued within the next couple of weeks.

MR. PÉREZ: Darren, if you're going to start on a new topic, we have been going for about an hour. Do you want to take a five-minute break? Or we can do it as a convenient time, but it looked like you're changing topics.

MR. GRZYB: I am. And that's fine with me, 10:40 Central?

MR. PÉREZ: 10:40 Central is fine.

THE COURT REPORTER: Thank you. I'm off.

(Recess taken)

THE COURT REPORTER: Back on the record.

MR. GRZYB: May I have the last question and answer read back to me.

(The record was read as requested)

MR. GRZYB: Thank you.

Q. (BY MR. GRZYB) So I am gathering there was -- there was a condition that there be no condition in your audit about an ongoing concern representation, the audit was going to come out, and you weren't going to be able to fill that condition, so you went to the lenders to ask for a modification.

Is that accurate?

A. Right, a going concern qualification was a potential default under our agreements, and we went to the lender seeking a waiver amendment with respect

to that provision.
Q. Was that an in-person meeting?
A. No, these were telephonic.
Q. Did you reach out personally, Mr. Dane, to the secured lenders?
A. I believe in some cases I reached out to certain of the lenders.
Q. Was counsel involved at that point?
A. We had consulted with our counsel at the time that handled our credit agreements.
Q. Was there a discussion with the lenders, secured lenders -- I will rephrase the question.
What did they say in request to the -- what did they say in connection with the request to modify the lending agreements?
A. They said that they would evaluate that request and that they were open to continued considerations and dialogue, and in some cases, they asked for additional information.
Q. Was it the secured lenders' idea to reorganize under Chapter 11 of the Bankruptcy Code?
MR. PÉREZ: Object to the form of the question: Vague.
THE WITNESS: The conversations evolved to a point where a reorganization was what was

understood by all the parties as the necessary action that needed to take place.

Q. (BY MR. GRZYB) It seems as though there was -- there is two options: There is the modification to the loan agreement, and then, where we are now, the Chapter 11 reorganization that we find ourselves in here. Was there anything in between those two options that was ever discussed between Fieldwood and the secured lenders?

A. Yes.

MR. PÉREZ: Object to the form of the question.

Q. (BY MR. GRZYB) What were those other options that were discussed?

A. The conversation evolved from discussing a going-concern qualification to eventually resulting in a forbearance agreement. The forbearance related to the company's potential default under the provisions that I discussed on the going-concern qualification, and also was a forbearance with respect to interest payments that were due at the end of April; and that forbearance agreement imposed various conditions and restrictions on the company, including the requirement for the company to submit a plan of restructuring that was acceptable to the

lenders.

Q. So the forbearance agreement assumed a reorganization was going to happen?

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.

THE WITNESS: The forbearance agreement had a requirement that the company present a proposed Plan of Reorganization.

Q. (BY MR. GRZYB) When did Fieldwood first meet with Apache regarding the potential restructuring?

A. I believe that our first formal meeting with Apache was around the early May timeframe, and those conversations were a general situation update about our current conversations with the lenders and the status of the business and potential paths forward that the business may be required to pursue.

MR. GRZYB: Michelle, may I have that answer read back again, please.

(The record was read as requested)

MR. GRZYB: Thank you.

THE COURT REPORTER: You're welcome.

Q. (BY MR. GRZYB) The first meeting with Apache around May of 2020, did you attend?

A. I did.

Q. Was that an in-person meeting?
A. No, it was not.
Q. Who else from your team?
A. Tommy Lamme.
Q. Anyone else?
A. I believe it was just the two of us.
Q. Who attended for Apache?
A. I believe it was Anthony Lannie, Apache's general counsel, and Bret Cupid, I believe. I believe their treasurer may have attended, and I believe their advisors at Parkman Whaling may have attended as well.
Q. What service did Parkman Whaling function as?
A. To my knowledge, Parkman Whaling was engaged in our 2018 restructuring with Apache, and they had a knowledge of the business and the prior restructuring. I don't know what their engagement was with Apache at that time, other than a party that had familiarity with prior conversations between our two companies.
Q. So are they decommissioning experts?
A. No. Parkman Whaling is an advisory firm.
Q. Describe the comments of Fieldwood in connection with the current situation to Apache

during that initial meeting.

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: We provided a presentation, I believe, where we talked about the current conversations with the lenders, the evolution of those conversations from a going-concern qualification to a forbearance, the provisions in the forbearance that the company was required to adhere to. We discussed with them our liquidity situation, and we talked about various potential transactions that may be mutually beneficial to consider and also various potential restructuring scenarios that may be required and our timing.

Q. (BY MR. GRZYB) Was it a condition in the forbearance agreement with the lenders that you enlist Apache to support a restructuring?

A. I don't believe so.

Q. Why did Fieldwood reach out to Apache in this context?

A. Apache is the largest predecessor and interest in Fieldwood's asset base, and they're a clear significant stakeholder in any likely restructuring that would have taken place.

Q. Describe the various potential

transactions that were discussed in that initial meeting with Apache.

A. I don't recall if -- if -- do you mind clarifying for me your question about the potential transactions?

Q. I'm just -- we are really focused now, Mr. Dane, on that initial reach-out in May of 2020 following the discussions and entry of the forbearance agreement with the secured lenders, and I am now shifting towards the initial conversations that you're having -- that you had with Apache.

And I asked you previously to discuss that meeting -- and the record in terms of what you said it will speak for itself -- but I think you mentioned a number of things that happened: There was a presentation; there was a description of the forbearance agreement, a discussion of the liquidity position of Fieldwood; and then the last two things I have listed here was various potential transactions that were discussed between Fieldwood and Apache; and then the last one was various potential -- and I don't want to mischaracterize, but what I think was you said was restructuring transactions.

So my question is: Can you describe in more detail the various potential transactions that

were discussed at that initial I'm calling it a "reach-out" in May 2020?

If you don't understand the question, I can rephrase it.

A. I understand the question. Thank you.

We conducted several meetings with Apache over the -- you know, after the initial reach-out, and so I don't exactly recall in -- if in the first meeting it was a general situation update or if we started to discuss more specifically potential transactions, but the transactions that were -- the potential transactions that were generally discussed with Apache were related to ideas that Fieldwood had around potential M and A opportunities with respect to certain of its assets and also certain transactions that would bring in additional capital from Apache in order to provide for decommissioning funding related to the shelf properties that it acquired from Apache.

Q. So let's take it one step at a time.

We're still -- we will go from the reach-out phase to now we're having -- during this timeframe, it seems in my mind, that we're having a conceptual dialogue with Apache about the particular issues that you're facing at that time.

Is that -- is that a fair way to characterize the conversations and the discussions that are happening during that timeframe?

A. Yes.

Q. One of these conceptual ideas is to pursue M and A opportunities. Can you give me more information with respect to that concept and the conversations that you were having with Apache at that time?

A. We had assets that we thought may be a potential fit for Apache that they may find attractive and potential transactions that -- we were interested in seeing if they were exploring potential transactions where we had the ability to sell assets and raise additional capital in order to address things that were of mutual concern to both parties.

Q. So the conceptual discussion of ideas with Apache about M and A and opportunities with respect to assets, it seems as though, generally speaking, the conceptual discussions at that time included exploring with Apache either an acquisition by Apache of Legacy/Apache properties.

Is that accurate?

A. No, not with respect to Legacy/Apache properties.

Q. So what properties were you conceptually discussing at that time?

A. Generally our deepwater asset base.

Q. The discussions at that time were to sell to Apache deepwater assets to raise capital for Fieldwood to fulfill its decommissioning obligations to Apache. Is that accurate?

A. Not exactly. There was a range of topics that we discussed. One concept that was discussed was what I spoke to around potential M and A, and separately or as a part of potential M and A, the willingness of Apache to consider providing capital in order to address shelf P and A liabilities. These were various broad topics that we explored in order to gauge their interest, and in being able to support the business through a potential restructuring transaction utilizing those various transaction scenarios.

Q. So, in effect, you were asking Apache to loan Fieldwood money --

A. No.

Q. -- as part of -- no?

A. No, we did not ask Apache to loan Fieldwood money.

Q. So what would the capital infusion that

you were requesting entail?

A. We explained to Apache the obligations under our forbearance agreement to provide our lenders with a plan of restructuring, a proposed plan of restructuring and the timing considerations that we were facing, and we asked them if they had -- if they had an interest in exploring various transactions that could be incorporated into a potential plan of restructuring that we were required to provide to our lenders.

Q. Did Fieldwood ever consider the sale of the Legacy -- I will rephrase the question.

Did Fieldwood ever consider selling the Legacy/Apache properties?

A. Fieldwood did not generally consider the sale of the entirety of the asset base that comprises the Legacy/Apache properties as a part of its contemplated restructuring plans.

Q. What about individual assets within the Legacy/Apache property portfolio?

A. As a part of the considerations related to generating a plan of restructuring, which was required, that was not something that had been contemplated. However, at various times prior to that period, individual asset sales have been

contemplated in the ordinary course of business.

Q. Give me one second. I apologize.

Whose idea was it for there to be the creation of Fieldwood I with respect to the Legacy/Apache properties?

A. As a result of the ongoing dialogue that Fieldwood engaged with Apache during that time period, the conversations evolved through the discussion of various different alternatives, and ultimately we were presented with a term sheet from Apache that formed the basis of the agreement that we currently have.

Q. So it was -- was it Apache's concept to engage in a divisive merger with respect to Fieldwood I?

A. I believe those conversations -- specific to the divisive merger, I believe there was a dialogue between our counsel about the best way to effectuate these types of transactions and counsel determined that a divisive merger was an appropriate manner.

Q. Are you saying -- let me take a step back. Did the term sheet from Apache include a divisive merger from Fieldwood to Fieldwood I?

A. I don't recall if the original term sheet

was specific about a divisive merger concept. I believe that that manner to implement the transaction may have been conceived subsequent to the initial term sheets, but I'm not certain.

Q. I believe you mentioned before that Apache was -- is the largest predecessor and interest for Fieldwood; is that correct?

A. With respect to the quantum of plug and abandonment obligations, that's our belief, that they are, by far, the largest predecessor.

(Exhibit 5 marked)

Q. (BY MR. GRZYB) And isn't it accurate to say that in connection with the 2013 acquisition of the Legacy/Apache properties, Fieldwood entered into a Decommissioning Agreement with Apache?

A. Yes, that's correct.

Q. Are you, generally speaking, familiar with the obligations of Fieldwood in implementing the Decommissioning Agreement?

A. I'm generally familiar with the terms of the Decommissioning Agreement.

Q. And isn't it accurate to say that Fieldwood was -- I will rephrase the question.

Is it accurate to say that Fieldwood's obligations to Apache under the Decommissioning

Agreement are supported by at least three types of security? I will rephrase the question.
MR. PÉREZ: Object to the form of the question: Vague.
Yeah, I'm sorry.
MR. GRZYB: No, no, no.
Q. (BY MR. GRZYB) Isn't it accurate to say that the obligations of Fieldwood to Apache are supported by security?
A. It's accurate --
MR. PÉREZ: Same objection.
But you can go ahead and answer it. I'm sorry.
THE WITNESS: There is required security that is a condition of the Decommissioning Agreement, and I think it is accurate to say that there are three basic types of security that are currently in place.
Q. (BY MR. GRZYB) And those three basic types that are currently in place are the Trust A cash, correct?
A. Yes.
Q. And then you have two surety bonds, correct?
A. I don't recall the number of individual

surety bonds, but that is correct that there are surety bonds.

Q. And then you have letters of credit, correct?

A. That's correct.

Q. Isn't it accurate to say that Apache does not have the right to draw upon the security associated with the Decommissioning Agreement unless there has been a failure of Fieldwood to perform under the Decommissioning Agreement?

MR. PÉREZ: Object to the form of the question: It calls for a legal conclusion.

And, you know, Mr. Dane wasn't tendered to provide legal conclusions, so I mean, I'm not sure -- you're asking for a legal conclusion at this time.

MR. GRZYB: Well, I would say that he did testify to having an understanding of the terms of the Decommissioning Agreement, and that was my question: Is it his understanding that there has to be a -- well, I like the way I asked the question, so I will have Michelle read it back and then --

MR. PÉREZ: Yeah.

MR. GRZYB: -- you can say your objection again or interpose it again, but that's fine.

Michelle, may I ask you to read the question again.

THE COURT REPORTER: Yes, it always takes me a second to un-mute.

(The record was read as requested)

THE WITNESS: I don't think that's accurate.

MR. PÉREZ: Yeah, I would make the same objection.

And I would instruct the witness that to the extent his testimony is based on discussions with counsel not to answer the question. If he has an independent view of what the terms of the Decommissioning Agreement are as to when Apache can draw, obviously he can answer, but to the extent that it calls for him to divulge discussions that he had with Counsel, then I would instruct the witness not to answer.

Q. (BY MR. GRZYB) Do you have an independent view as to when Apache could draw on its security related to the Decommissioning Agreement?

A. There are various provisions in the Decommissioning Agreement that allow Apache to draw upon the security. The agreement spells out all of those different provisions. It is more expansive

than a Fieldwood default on P and A. There are times when Apache can draw for nonrenewals. There are various defaults which require provisions that allow them to draw for reimbursement for P and A obligations.

Q. Is it your independent understanding that Apache can draw on the surety credit -- I will rephrase.

Is it your understanding that there has to be a reimbursable event or a nonrenewable event for Apache to draw on the security for the Decommissioning Agreement?

MR. PÉREZ: Same objection.

THE COURT REPORTER: I think there was a phone ringing, so I'm not sure I got every word of that question, if you could repeat it. Thanks.

Q. (BY MR. GRZYB) And when I say "independent understanding," I like the way that Alfredo phrased that, which is your own independent understanding when I ask that question separate and apart from your conversations with Counsel.

So is it your own independent understanding that under the Decommissioning Agreement, Apache can only draw upon the security if there is a, quote, reimbursable event or nonrenewal?

MR. PÉREZ: Again I'm going to object to the question. I mean, if you want to show him the document, you can. I don't know -- and again, if he has an independent obligation -- an independent recollection, he can answer, but --

THE WITNESS: Based on the advice of my Counsel, I don't think it would be appropriate for me to answer that question.

Q. (BY MR. GRZYB) One second.

In connection with the negotiation of the restructuring transactions in which Fieldwood is entering with Apache, was there a discussion of the decommissioning security?

A. Yes.

Q. What was the substance of that conversation? Let me rephrase.

Describe for me the substance of that -- those conversations from Fieldwood's perspective.

A. The Decommissioning Agreement governs obligations that Fieldwood had and various security that is granted to Apache, it imposes on Fieldwood various obligations, all of those topics were discussed when the parties were trying to explore various consensual alternatives, given that the main topic was addressing the considerable amount of

plugging and abandonment liabilities associated with properties that the Decommissioning Agreement covers.

Q. What was the substance of the conversation from Apache's perspective?

A. I can't speak on behalf of Apache, but the Decommissioning Agreement was put in place at the time of the original acquisition in order to provide Apache security in the event of a potential default and their exposure to costs associated with plugging and abandonment obligations.

So those were, I assume, the main conversations that were very relevant to the conversations that we were having with them in the context of potential restructuring alternatives that were likely at that time.

Q. Was it Apache's condition that the Decommissioning Agreement be assumed in the reorganization in order for Apache to support the reorganization?

A. The -- I don't recall if that was our fundamental position that they took at the outset of our conversations.

Q. During the negotiation of these -- the agreements that Fieldwood entered into with Apache in connection with the reorganization, did Fieldwood

ever reach out to the issuers of the letter of credit -- the letters of credit in connection with the decommissioning security?

MR. PÉREZ: Sorry, can the court reporter read that question back?

THE COURT REPORTER: Okay. Yes.

(The record was read as requested)

THE WITNESS: There were -- I don't recall if the timing of conversations with the issuer of the letter of credit occurred during the timing of the discussions with Apache, but I do know that there were conversations with the issuer of the letter of credit. I believe those conversations were at a later stage.

Q. (BY MR. GRZYB) Is that after bankruptcy filing?

A. Again, I don't recall the exact timing of those conversations. It likely was in the very -- in the immediate period preceding the bankruptcy filing or shortly thereafter to the best of my recollection.

Q. What about with respect to the sureties that issued bonds as part of the decommissioning security?

A. I don't recall any specific conversations that we had with those parties regarding our

restructuring leading up to the restructuring, but those are parties that we have ordinary, ongoing business conversations with at various times.

Q. Did Fieldwood have any communication with any of its sureties in connection with its intent to seek bankruptcy protection?

MR. PÉREZ: I'm sorry, Ms. Court Reporter, can you read that -- can you read that again. I missed the question.

THE COURT REPORTER: Yes.

(The record was read as requested)

THE WITNESS: I don't believe there were substantive conversations with the surety providers specific to the company's restructuring plans prior to filing for restructuring, that I can recall.

Q. (BY MR. GRZYB) Is there any communications between Apache and Fieldwood in connection with the surety bonds that are part of the decommissioning security?

A. The companies had a number of discussions with Apache about the Decommissioning Agreement security in general. I don't recall any specific conversations about the bonds in particular, outside of general conversations about the various security arrangements that exist because of the

Decommissioning Agreement.

Q. Did Fieldwood and Apache ever have conversation regarding Fieldwood's indemnity obligations to the sureties?

A. Not that I can recall.

Q. Describe the process of attempting to sell the deepwater properties.

A. Do you mind being more specific about at what point you're referring to?

Q. Prior to -- let me rephrase that.

Was there an attempt to sell those properties that are deemed transferred to the credit bid purchaser?

A. Yes.

Q. Can you -- and can I -- is it accurate, generally speaking, for me to refer to them as "deepwater properties"?

A. Yes.

Q. Was there an effort to sell the deepwater properties rather than restructure?

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.

Q. (BY MR. GRZYB) Yeah. Was there any effort to market the deepwater properties?

A. Yes.

Q. When was that effort?

A. That effort commenced prior to filing for Chapter 11. It was part of the restructuring plan and ultimately the RSA that was entered into between the company and the lenders that there was a required dual track sales process effort with respect to the company's deepwater assets and also recapitalization of a portion of the business, and in line with that restructuring support agreement, the company engaged upon, with its advisors, a marketing process of those assets, which commenced at the end of June of 2020.

Q. Who was in charge of that marketing effort?

A. Houlihan Lokey was the advisor that ran that marketing effort for the company.

Q. And I am to understand that Fieldwood did receive bids, correct?

A. Yes, we did.

Q. And if I remember correctly, they were all -- how many bids -- let me rephrase the question.

How many bids did the company receive?

A. The company received five bids and seven indications of interest.

Q. Why were the -- can you give me a number for the highest bid among the five?

THE WITNESS: Alfredo, I think you're on mute.

MR. PÉREZ: Yeah, in connection with the BP Motion to Compel, we were required to produce that with the -- the numbers redacted, so I don't know how you want to handle that.

MR. GRZYB: One second. So, Alfredo, do we have that? Does the surety group have that?

MR. PÉREZ: Have what?

MR. GRZYB: Whatever was --

MR. PÉREZ: The bid?

MR. GRZYB: Yes.

MR. PÉREZ: I don't know whether you do or not, but I mean, we produced the --

MR. GRZYB: Craig --

MR. PÉREZ: Sorry. We -- I'm sorry. We redacted the names, not the numbers. So sorry, I apologize.

MR. GRZYB: Okay. So he can testify to the numbers?

MR. PÉREZ: He can testify to the numbers but not -- not the -- not the names.

MR. GRZYB: Okay.

MR. PÉREZ: I got confused.

Q. (BY MR. GRZYB) Okay. Of the five bids,

what was the highest?

A. I apologize, before I answer the question, there is a line that has some noise.

MR. GRZYB: Someone's typing, I think.

THE WITNESS: The highest nominal bid was $700 million.

Q. (BY MR. GRZYB) And why was that bid rejected?

A. After the company received all the bids, they were shared and discussed with the lenders' advisors and at a certain level with the lenders. And the RSA that the company signed with the lenders required the -- provided the lenders with consent over whether to pursue a sales process, depending on the outcome of that process, or pursue a recapitalization transaction.

When the lenders reviewed the various bids that came in, they found them to be deficient in a number of ways, starting with the overall value.

MR. BAINS: Darren, apologies. This is Brandon Bains. He cut out. What was the amount of that bid? I apologize.

THE WITNESS: $700 million.

Q. (BY MR. GRZYB) Mr. Dane, go ahead, you say it again. I just talked over you. I apologize.

A. I'm sorry. I said $700 million was the nominal highest amount.

MR. BAINS: Thank you.

Q. (BY MR. GRZYB) Was this $700 million amount -- I will rephrase the question.

Was the bid associated with the $700 million nominal amount deemed deficient for reasons other than the amount?

A. Yes, it was deemed deficient for a number of reasons.

Q. What were some of those reasons?

A. Some of those reasons included the identity of the purchaser, the confidence of that purchaser's ability to execute, the fact that that bid assumed the need to finance or raise an amount equal up to 100 percent of the bid amount, the fact that it was predicated on an effective date which would have required significant purchase price reductions, the fact that the bid -- that the bid letter specified that there was a need for an independent third-party reserve report to be generated, the general execution capabilities of that counterparty and associated regulatory risks and concerns.

Q. Did the secured lenders give a written

statement to you with these -- with this list of deficiencies?

A. I don't recall that there was a written statement, but there would -- I don't recall that there was a written statement.

Q. These -- was it the lenders that found these deficiencies?

A. The lenders were aware of, and articulated, the deficiencies, and these were discussions that took place with the company where both the lenders and the company discussed the content of the bids and concerns that both of the parties had about any considerations with respect to all the bids that were received.

Q. What is the second highest bid?

A. I would have to refer to the biddings, if you have them available for me to review. I believe it may have been $500 million.

Q. I don't have that. I am going to have the -- have any rights of first refusal been asserted by any co-working interest owners with respect to the deepwater assets?

A. A right of first refusal -- I apologize, do you mind repeating your question?

Q. Have any rights of first refusal been

asserted by any of the co-working interest owners with respect to the deepwater properties?

A. I don't know if they have been or not. At various times there is always rights of first refusal that are asserted.

Q. Have you -- has Fieldwood received any offers to purchase any of the Legacy/Apache properties?

A. Do you mind specifying what time period you're referring to?

Q. One second. Since the time that you began discussing a restructuring with your lenders.

A. Yes.

Q. Can you describe offers -- can you identify -- I will rephrase the question.

Who has made offers to purchase Legacy/Apache properties?

A. I believe those letters were provided, but I would defer to Counsel, if it's appropriate, to answer that question, because I thought the names were redacted.

MR. PÉREZ: I think that's right.

Q. (BY MR. GRZYB) Well, let me -- okay. I will ask you to pull up Exhibit 2.

(Exhibit 2 marked)

THE WITNESS: The exhibits that I have aren't labeled. Do you mind either sharing that in the chat or identifying the document and I can pull it up?

MR. PÉREZ: Mike, I can send it to you. Here.

THE WITNESS: Thank you.

Q. (BY MR. GRZYB) Now I will read it, too, because I just received this document as well.

So have you been able to access --

MR. PÉREZ: I'm sorry, yeah, you also should have gotten, Mr. Dane, an e-mail from Erin -- I don't know if it made it through your filter -- that had all of the documents.

THE WITNESS: Is this on our Weil file share site? I haven't had my e-mail up.

MR. PÉREZ: I don't know.

MS. CHOI: Yes, yes.

THE WITNESS: Okay. So I have access to that Weil cloud share site.

What folder would that be?

Q. (BY MR. GRZYB) Should I just e-mail this to you?

A. Yes, please. Thank you.

Q. I am going to e-mail you 2 through 4, and

I will copy Mr. Pérez. And --
A. Okay, I do have a copy of it from Mr. Pérez.
MR. PÉREZ: Yeah, it starts, "Dear John."
THE WITNESS: I do see that, yes.
Is this -- that is the exhibit? Got it.
MR. PÉREZ: This is the exhibit, yes.
MR. GRZYB: Do you want to take five before we start doing this?
Alfredo, are you okay doing that?
MR. PÉREZ: We can take five. I mean, I think if he has the exhibits, I think he knows what they are, but -- but we probably don't need to, but --
Q. (BY MR. GRZYB) Okay. Do you have -- hold on one second.
What is your e-mail address, Mr. Dane?
A. It is mdane@fwellc.com, like fieldwoodenergyllc.com.
Q. So I sent 2 through 4, but I understand that you have a "Dear John" e-mail you're able to access; is that correct, Mr. Dane?
A. That's correct.
Q. Bear with me. Like I said, I have just seen this.

Could you describe -- are you familiar with this document that's been marked as Exhibit 2?

A. I am.

Q. And can you describe for me it generally?

A. This was an e-mail in which a party that had previously evaluated a property that in 2019 had been marketed for sale was expressing an offer, an indication of interest or an offer on that particular property that they wanted to explore further with Fieldwood.

Q. Can you give me a timeframe that this indication of interest was issued?

A. I don't see the date on this. I apologize, I do see the date at the bottom. It is April -- this is April 2020.

Q. And what is the -- can you identify what asset is being discussed in this e-mail?

A. This is the South Timbalier 311 field.

Q. And is the Timbalier 311 field under the Plan of Reorganization as it is currently drafted?

What bucket is that going to fall into?

A. That is a Fieldwood I asset.

Q. It appears to me that being -- an offer is being made here for $65 million, is that accurate, for Timbalier 311 field? If you go to Romanette I.

A. There is an offer being made at $65 million.

Q. What was -- what did Fieldwood do in connection -- in response to this offer?

A. We had an ongoing conversation with this particular counterparty for many, many months. This was a very protracted conversation that evolved over a relatively long period of time relative to the original desired sales process conclusion. The response to this offer was that the value being discussed at that time was not acceptable, and there was further conversations.

Q. Did this party that issued this indication of interest ever increase its offer?

A. I don't recall that we received an increased offer from that party after -- after this dialogue and -- correct.

Q. Was it Fieldwood's decision that this offer was not actionable because it wasn't high enough?

A. Yes.

Q. That value -- it was undervalued for the asset that was being offered to acquire, correct?

A. It was not acceptable at the time, and that's correct.

Q. Did Fieldwood consult with anyone in connection with this offer?

A. Fieldwood had conversations with its board at the time of this offer.

Q. Did Fieldwood discuss this offer with Apache?

A. Subsequent to Fieldwood's Chapter 11 filing and signed term sheet and agreement principle with Apache, Fieldwood advised Apache that the company has received, over time, various unsolicited and solicited through extended processees offers for certain assets and advised that if there was a desire to pass along that information or have further discussions that we would be open to facilitating those conversations.

Under the Fieldwood/Apache term sheet, the agreement contemplates that all of the assets that were acquired from Apache will comprise Fieldwood I, and so it didn't -- it was not appropriate to be exploring individual asset M and A opportunities at that point, given the comprehensive agreement that we had reached with Apache.

Q. So is it your position that if there was a -- in order to sell an asset to an entity, it would require under the RSA Apache's consent?

A. I don't know if that would be governed by the RSA, but Fieldwood at the time had a signed term sheet with Apache that outlines a comprehensive transaction and included all of the asset as a part of that transaction. And eventually that was documented in definitive documentation over the subsequent several months.

It was certainly an understood feature of that transaction that all of the properties that comprised the Legacy/Apache properties, other than those specifically discussed, would comprise that asset base, unless there was mutual agreement otherwise.

Q. Is there a particular representative individual at Fieldwood that made the determination that this offer was for insufficient value with respect to this asset?

A. I believe at prior times during the sales process there had been discussions of higher values. This was an asset that was marketed in the fourth quarter of 2019. There has been indications of higher value at that time. Those were not accepted at that time.

Following that process and those earlier discussions, and given obviously market volatility

that had happened prior to receiving this offer, this was an updated offer from a party that had been involved in that sales process, and it was discussed with a number of folks internally, including the company's business development group, the CEO, and various other representatives.

Q. This offer for this asset, has it ever been -- I will rephrase the question.

Did this particular indication of interest get passed along to Apache?

A. I don't recall if the specific documents were passed along to Apache, but Apache was made aware that there had been offers in recent periods relating to certain assets that were going to comprise Fieldwood I, and the specific reference there was to this field which had been the subject of more than one offer.

Q. And what has Apache's position been with respect to offers -- offers for this field?

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.

THE WITNESS: You have to ask Apache their position. They acknowledged -- they acknowledged the information that we provided them, and there was not follow-up dialogue on these points

of any sense.

(Exhibit 3 marked)

Q. (BY MR. GRZYB) All right. Let's move on to Exhibit 3. I have sent you an e-mail, if that is easier to pull up that PDF.

A. I have it here.

Q. Are you familiar with the document that's been marked as Exhibit 3?

MR. PÉREZ: My exhibits aren't numbered. Can we just identify just -- is this the letter dated September 17th, 2020?

MR. GRZYB: Yeah, September 1st, yes, 2020.

MR. PÉREZ: Okay.

MR. GRZYB: Addressed to likely -- you know, I say it is marked but that's inaccurate. It is marked in the title of the PDF.

MR. PÉREZ: Perfect, yes. You're right, exactly.

THE WITNESS: Yes, I am familiar with this document.

Q. (BY MR. GRZYB) Describe generally what this letter is.

A. This letter is an offer on the same property that we were discussing, so the Timbalier

311 and related wells. And it was an offer that was made in September of 2020 from a party that had previously, I believe, been involved in the sales process almost a year prior, and the proposed purchase price was for $31 million.

Q. And was this offer rejected for the same reason, that it was not sufficient value according to Fieldwood?

A. When we received this offer, I had a conversation with the principal of this firm and described to them the restructuring process that we were undergoing, the transaction that we were working with Apache on, and considerations that we discussed about the asset base and our agreement with Apache that may make a transaction like this problematic, and I also discussed the fact that the purchase price was very low relative to indications that we had received previously and not received (sic).

(Exhibit 4 marked)

Q. (BY MR. GRZYB) Let's go Exhibit 4, which you should have in your e-mail.

Exhibit 4 is a July 13th, 2020 letter to John Smith. Are you familiar with this document?

A. I am.

Q. And describe -- is this relating to the

same property, that Timbalier field?

A. No. This is related to a broad number of properties that generally does not include that field, but there is a reference made to that field in the letter.

Q. The properties being discussed with this letter, what bucket do they fall in within the Plan of Reorganization?

A. I think that they fall into various buckets. I know that there are some properties here, particularly the more significant property that falls into the Fieldwood I bucket but it is possible that there are -- I believe there are other properties that fall into other categories as well.

Q. What did Fieldwood do in connection with this offer?

A. Fieldwood had a conversation with a party that provided this offer and explained to them that there was a number of challenges that would prohibit us from pursuing a transaction with them. We -- this offer was received immediately prior to our filing for Chapter 11. Our plan was coming into focus. Our agreement with Apache was near finalized.

The -- aside from those concerns, the offer was wholly unacceptable for various other

reasons.
Q. What were those reasons?
A. The counterparty that made this offer was viewed to be very challenged by Fieldwood. The property set that was outlined was very comprehensive. It involved a swap of assets both with respect to interests that were owned by Fieldwood and operated by this counterparty and vice versa. The value was exceedingly low.
The execution capabilities, notwithstanding the value being wholly inadequate, were -- were also challenged, but generally speaking, it didn't fit the framework of the comprehensive solution that Fieldwood was pursuing with its stakeholders and with Apache specifically.
Q. Starting with the timeframe of May of 2020 to now, have there been any offers to acquire Fieldwood assets beyond the five bids that we talked about on a credit bid side and these three written correspondence in Exhibits 2, 3 and 4 that we have just discussed?
A. We receive unsolicited offers in the ordinary course of business, but for immaterial and material assets. I'm not aware of any other bids that we have received on assets other than the items

that we have discussed, and I'm certainly -- there is nothing that I recollect that's material that we have received.

MR. PÉREZ: Yeah, we have been going for about an hour. So whenever you are going to switch topics, maybe we could take a ten-minute break?

MR. GRZYB: I can -- I can do a ten-minute break now.

MR. PÉREZ: All right. So be back at five after?

MR. GRZYB: Yeah.

THE COURT REPORTER: I'm off. Thank you.

(Recess taken)

Q. (BY MR. GRZYB) Mr. Dane, I must admit this is the first time I have done this type of proceeding on Zoom, so I need to ask: Is anyone e-mailing you any information other than what I sent you in terms of the exhibits in connection with your testimony here?

A. No. The only e-mail that is -- that I have reviewed has been the e-mails from you and from Weil with respect to the documents.

Q. The Weil e-mails with respect to documents, has there been any -- any writing other than a signature line in the document themselves?

A. It only has contained the documents that were being discussed.

Q. What about text messaging?

A. No.

Q. Other direct messaging?

A. I received a text message asking if I would like lunch brought in, and that is the only text message that I have received.

Q. Okay. Whose idea was --

A. Yeah.

Q. Whose idea was it to create Fieldwood I for the creation of the Legacy properties?

MR. PÉREZ: Object to the form of the question: Asked and answered.

THE WITNESS: I believe I answered that question earlier. And there was a term sheet that was ultimately presented to Fieldwood, which was the evolution of a number of discussions, and Fieldwood I was described and then negotiated as part of those term sheet negotiations.

Q. (BY MR. GRZYB) Is it accurate to say that under the Plan of Reorganization in the various agreements that post confirmation, the plan was for Fieldwood I to address the Legacy/Apache properties?

A. Would you mind being more specific by

what "address" means?

Q. Well, I will answer your question with another question, which is: What is -- what functions will Fieldwood I carry out post confirmation?

A. Fieldwood I is going to be the owner of the Legacy/Apache assets. It is going to be led by a sole manager, and the sole manager is going to direct the operations of the service provider in order to service the Fieldwood I assets.

Q. Who is the service provider going to be?

A. The service provider initially is going to be the credit bid purchaser NewCo Company.

Q. And is it accurate to say that the NewCo company will be populated primarily by current employees of Fieldwood I?

A. Yes.

Q. Is it the intention that you personally will have a position with the NewCo?

A. That's my intention.

Q. Has it been confirmed what your position will be?

A. I have had various conversations with the lender group about the organization post effective date with the -- with the NewCo and I had --

(inaudible).

Q. I didn't hear that last answer.

A. I have had conversations with the lender group about my role in the post reorganized company.

Q. Is it your understanding that you will be CFO of the new company?

A. The discussions that I have had with the lenders about my role in the post reorganized company is as chief executive officer.

Q. The surety bonds that exist that are part of the decommissioning security, what is Fieldwood's intention -- I will rephrase the question.

What is Fieldwood's intention with respect to the surety bonds that are part of the decommissioning security post confirmation?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: The security that underlies the Decommissioning Agreement is not intended to change. Fieldwood doesn't have any intentions with respect to any of the security that exists as they have.

Q. (BY MR. GRZYB) Is there any -- does Fieldwood intend for the decommissioning security to be used in any fashion to capitalize Fieldwood I's

operation immediately post confirmation?

A. Fieldwood doesn't have intentions with respect to the surety bonds. The surety bonds secure obligations pursuant to the agreements that were originally required, those security instruments, and the intention is for those various security instruments to exist as they currently do pursuant to the way they were granted originally.

Q. Does Fieldwood have any -- does that -- I will rephrase the question.

Does that also include maintenance status quo with respect to Fieldwood's indemnity obligation to the sureties?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: The indemnity obligations, I would defer to Counsel on the legal treatment of the indemnity agreements. I understand that they are simply pre-petition claims and they would be addressed through the plan in that manner.

Q. (BY MR. GRZYB) So is it your testimony that the bonds under Fieldwood's concept will remain in place as security for the decommissioning obligations but there is no concurrent indemnity obligation from Fieldwood vis-à-vis the sureties?

MR. PÉREZ: I object to the form of the question: Misstates his testimony.
THE WITNESS: Fieldwood is not the beneficiary of the bonds. The indemnity agreements, as I understand it, and again, I would defer to Counsel, are going to be handled in the manner which I described pursuant to the plan.
Q. (BY MR. GRZYB) What is Fieldwood's intention with respect to current governmental BOEM bonds?
A. Fieldwood doesn't -- as I stated, Fieldwood doesn't have any intention with respect to any of the bonds. Fieldwood is not the beneficiary of the bonds and the indemnity agreements are going to be treated as I described pursuant to the plan.
Q. Is it -- is Fieldwood going to obtain new bonding with respect to Fieldwood I's operations post confirmation?
A. Fieldwood is not going to -- Fieldwood I may be required to obtain bonding. There are -- there are general statutory bonding requirements, and I assume that Fieldwood I will need to satisfy those requirements.
Q. Is Fieldwood in -- strike the question.
Do you know of any specific statutory

requirement that Fieldwood I will have to fulfill in order to operate with respect to bonds?

MR. PÉREZ: Object to the question: It calls for a legal conclusion.

THE WITNESS: Areawide operator -- areawide and operator bonds are customarily required, and I would anticipate that Fieldwood I would require those types of bonds.

Q. (BY MR. GRZYB) In your role as a current CFO for Fieldwood, do you ever touch upon the bonding needs of Fieldwood?

A. Yes.

Q. And how would you describe the functions that you serve for Fieldwood in that capacity?

A. Our -- we have a vice president of risk management who is principally in charge of dealing with surety-related issues, as well as our finance team that supports him in those efforts, and I work with those folks in managing those relationships and evaluating the company's surety bond needs.

Q. Did you meet with the vice president of risk management in preparation for this deposition today?

A. No, I did not.

Q. And can you please identify that

individual.

A. Mark Mozell.

Q. Is Fieldwood in any current conversations with any department of the United States government with respect to bonding requirements for Fieldwood I?

A. Fieldwood has been in longstanding conversations with a number of government regulatory agencies and bonding is a topic that is one of many that is under discussion.

Q. Does Fieldwood -- let's take it bucket by bucket.

Does Fieldwood know what areawide and operator bonds will be required of Fieldwood I post confirmation?

A. Areawide and operator bonds are required of any operator, and Fieldwood assumes that any operating entity would be required to obtain those types of bonds.

Q. So Fieldwood intends to obtain new bonds for Fieldwood I post confirmation with respect to --

MR. PÉREZ: Object to the --

I'm sorry.

Object to the form of the question: It states facts not in evidence; assumes facts not in evidence.

Q. (BY MR. GRZYB) I believe you said, Mr. Dane, you assumed that Fieldwood is going to have to obtain areawide and operator bonds, correct?

A. Correct.

Q. And is that the same assumption that you have with respect to Fieldwood III?

A. Yes.

Q. And is it also your assumption that the credited purchasers will have to obtain their own bonds post confirmation in order to operate?

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.

THE WITNESS: Consistent with the type of bonds that I just described for the other entities, that would be consistent for any operator, including a credit bid purchaser.

Q. (BY MR. GRZYB) So I will try and clean up the question. NewCo -- is it -- is it NewCo's -- let me try again. Strike the question.

Is it Fieldwood's intention for NewCo to obtain governmentally required bonds in order to operate post confirmation?

A. It is Fieldwood --

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: Fieldwood's intention is that it would -- it would obtain whatever required bonds are necessary to accomplish each of the various transactions.

(Exhibit 6 marked)

Q. (BY MR. GRZYB) Mr. Dane, can you pull up Exhibit 6 for me, please, in our data room.

A. Yes.

MR. PÉREZ: Is that the Farmout Agreement?

MR. GRZYB: Yes.

Q. (BY MR. GRZYB) Exhibit 6 has been identified -- I guess you would call it a draft Farmout Agreement that is part of the current Plan of Reorganization, Document Number 1285-2.

A. I have this in front of me.

Q. Are you familiar with this document, Mr. Dane?

A. Yes, I am.

Q. Can you describe for me generally what it is.

A. This is a document that is a part of the set of Apache agreements that's going to be entered into at exit between Fieldwood I and the credit bid purchaser and it defines the mechanism by which the

credit bid purchaser has the opportunity to propose and conduct operations under defined economic terms on the assets that are going to be owned by Fieldwood I.

Q. Is this a -- generally speaking, an agreement that governs a mechanism by which the credit bid purchasers can invest in potential projects associated with the Legacy/Apache properties?

A. I think that's generally correct.

Q. Has Fieldwood identified any potential projects that may benefit from that Farmout Agreement?

A. Fieldwood's business today is managing these properties, so the professionals that are employed by Fieldwood are very familiar with these properties and it is part of their ongoing responsibility today to be familiar with these properties. The process of identifying property -- identifying projects is part of an ongoing, ordinary business operation that we support.

Q. How many asset teams focus on the Legacy/Apache properties?

A. We have two asset teams that comprises our shelf's asset team structure.

Q. And so is it fair to say that testimony you gave before regarding their ongoing responsibilities that did identify potential projects, it would be those two asset teams, that would be the folks at Fieldwood that would have the best opportunity to identify projects that could benefit from that Farmout Agreement?

A. I think it is fair to say that the staff at Fieldwood has a high level of familiarity -- familiarity with the Fieldwood I asset base having managed it for an extensive period of time.

Q. Is there any projects -- well, I will strike the question.

Did you meet with anyone on the shelf asset teams in connection with your preparation for this deposition?

A. I did not meet with any of these -- yes, I did. But I did meet with members of -- with -- let me restate my answer, please.

The -- there were participants that lead our asset teams that were -- that participated in conversations I had preparing for this deposition.

Q. Who -- who do the asset teams report to?

A. I believe the asset teams report to Gary Mitchell, but I would have to consult our org chart

to verify that.

Q. Can you testify to any project in connection with the Legacy/Apache properties that would benefit from that Farmout Agreement?

MR. PÉREZ: I'm going to object to the question.

I don't know if you're asking him: Has there been a project identified that will be implemented pursuant to this? Is that your question, is there an agreement with respect to an individual project? Is that what you're saying? Is that what you're asking?

MR. GRZYB: Well, I think it is two parts, Alfredo, and I guess the first -- the first question is exactly like you said.

Q. (BY MR. GRZYB) Are there any individual projects envisioned with respect to this Farmout Agreement?

Did you hear my question?

A. Yeah, I apologize, I'm thinking about your question. The asset team's primary function is to manage these properties, and as part of that ongoing effort, they are always evaluating potential opportunities. There is not an agreed list of projects that are going to be conducted pursuant to

this agreement.

Q. Has there been any communications between Fieldwood and the lenders with respect to projects associated with that Farmout Agreement?

A. No, there has not been any communication with the lenders about specific projects pursuant to that Farmout Agreement.

Q. This Farmout Agreement, is it -- I will strike that question.

Has there been any discussions with Apache with regard to projects that could be taken on in connection with that Farmout Agreement?

A. I don't believe there has been any conversation on specific projects with Apache, and Apache is familiar with the asset base through their diligence of this transaction. They understand obviously the concept of the Farmout Agreement. Apache will not be under the -- pursuant to the Farmout Agreement, Apache is not going to be making elections with respect to projects.

Q. So is it your testimony that Apache's concept is not required for a farmout arrangement with the credit bid purchasers?

A. I think that your question mixes a few different concepts. Farmouts, in general, of the

Fieldwood I asset base are governed by certain consent rights within the LOC agreement that may be applicable to Apache. Projects specific to proposals under the Farmout Agreement will be determined, as I understand it, by Fieldwood I as the sole manager.

(Exhibit 7 marked)

Q. (BY MR. GRZYB) Mr. Dane, I'm going to ask you to please pull up Exhibit 7, which is identifiable as Document 1285-1 in the bankruptcy. It is Exhibit 8 to the Plan of Reorganization and Disclosure Statement, and it is titled "Standby" -- hold on -- "Standby Loan Agreement."

Are you familiar with this document?

A. I am generally familiar with this document.

Q. Can you please provide a general description of your understanding of this document?

A. The standby loan agreement is an agreement that Fieldwood I is a party to with Apache as the lender and Fieldwood I as the potential borrower, and this is a facility for up to $400 million to be utilized, if required, and under the provisions of the agreement to access funds for Fieldwood I related plugging and abandoning activities.

Q. Is there a timing mechanism by when these funds can be made available to Fieldwood I?

A. Yes.

Q. And what is your understanding of the timing mechanism?

A. The facility has a five-year maturity, which can be extended to ten years, and the funding is available upon certain specific conditions which are outlined in the agreement.

Q. Can you give me an independent under -- your independent understanding of what those conditions are?

A. Funding is --

MR. PÉREZ: I'm going to object to the form of the question. The document speaks for itself.

But go ahead and answer if you -- if you recollect.

THE WITNESS: I think the document is clear about the conditions under which funding is available.

Q. (BY MR. GRZYB) Who, as between Apache and Fieldwood, proposed the standby facility?

A. The standby facility was negotiated as part of the Fieldwood I term sheet between the

parties.

Q. Were you personally involved in the negotiation of the standby facility?

A. I was not generally involved in the direct negotiation of this particular document.

Q. What about the concept of Fieldwood being -- I'm sorry. Strike the question.

Were you involved with the concept of Apache being a potential lender to Fieldwood?

A. Apache is not a lender to Fieldwood.

Q. Well, then what would you describe this -- in light of this standby facility, how can you testify that they're not a lender to Fieldwood?

A. There is no loan agreement that's being contemplated or has been contemplated between Apache and Fieldwood.

Q. So is your answer more to the fact that the Plan of Reorganization calls for a new entity called Fieldwood I to be created?

A. The Plan of Reorganization --

MR. PÉREZ: Object to the form of the question. You know, it basically calls for a legal conclusion.

But -- but I mean, you can answer.

THE WITNESS: Fieldwood I is an entity

that's contemplated under a Plan of Reorganization.

Q. (BY MR. GRZYB) Yeah, I'm not -- I'm not understanding how this is a standby loan agreement and that -- I think your testimony is that Apache is not a lender.

A. You --

MR. PÉREZ: No. I think his testimony was that Fieldwood, the debtor entity, is not a borrower.

Q. (BY MR. GRZYB) So that's -- we're making the distinction on an entity perspective that it is Apache that's going to be the lender and Fieldwood I is going to be the borrower, correct?

A. The first paragraph about the loan agreement specifies that it is among Fieldwood I as the borrower and Apache corporation as the lender.

Q. Okay. Conceptually, who came up with that idea?

A. That was developed as part of the negotiations with Apache that culminated in the term sheet between the parties. That was an ongoing negotiation.

Q. Were you involved with the negotiation of the amount of the standby facility?

A. Yes.

Q. How was the amount of $400 million determined?

A. The parties exchanged a lot of data during the negotiations, various projections, and the amount that the standby facility contemplates was what Apache was willing to provide after negotiations.

Q. What kind of data are you testifying to in connection with the exchange of information regarding the negotiation of the standby facility?

A. As I stated, we shared presentations with Apache in our meetings and conversations. Those presentations contained expectations of the P and A that would be required on the Fieldwood I properties.

Q. Did those presentations include expectations as to cash flow?

A. Yes.

Q. So we have P and A, we have cash flow.

Is there anything else that was addressed in connection with the presentations with Apache?

A. There was a lot of -- there was a lot of information that was discussed in those presentations with Apache.

Q. Are we talking about reserves information?

A. There was probably reserve information exchanged. There was reserve information exchanged with Apache.

Q. The reserves information that was exchanged, was that Fieldwood's reserve information?

A. Yes.

Q. Did Apache ever provide Fieldwood its reserves information in connection with these properties?

A. I'm not aware that Apache has an independent reevaluation of these reserve properties.

Q. What about the interest rate under the standby facility, were you involved in the negotiation of the interest rate with respect to the standby facility?

A. I was generally involved in the negotiation around the Apache agreements.

Q. Do you have a specific recollection about negotiating the interest rate?

A. I don't recall the specific negotiation around the interest rate that I was involved in.

Q. Without looking at the document, do you know what the interest rate is?

A. It is the Apache bond rate, plus four percent, I believe.

Q. Do you know what the current Apache bond rate is?

A. I believe it's between three and four percent.

(Exhibit 8 marked)

Q. (BY MR. GRZYB) If you would please pull up Exhibit 8 from the database, which is the Transmission Services Agreement, Exhibit 15 to the Disclosure Statement and Plan of Reorganization, Document Number 1285-2.

A. That was there.

Q. Do you have it?

A. Yes.

Q. Can you describe generally what the Transition Services Agreement is envisioned -- I will strike the question.

How was the Transition Services Agreement envisioned to operate?

A. The Transition Services Agreement describes the various services that the NewCo will provide to manage the Fieldwood I properties and the compensation that it is going to receive in exchange for those services.

Q. Is there a plan in place for if NewCo is sold after confirmation in terms of the transmission

services that are being afforded for the Fieldwood I properties under this agreement?

MR. PÉREZ: Object to the form of the question: Vague.

A plan in place to do what?

Q. (BY MR. GRZYB) Okay. Well, I guess the question is: What happens -- what happens with respect to the service of the Fieldwood I entities if NewCo is sold?

A. The plan -- excuse me. The Transition Services Agreement contains termination provisions that are specified and the sole manager of Fieldwood I pursuant to the LLC agreement has the ability to select service providers.

Q. Did you read my outline? Because I was going to start talking about sole manager right after that.

A. I have read the outline.

MR. PÉREZ: He did. He did.

THE WITNESS: More than once.

Q. (BY MR. GRZYB) You mentioned the sole manager, Mr. Dane. Where can I find the concept of sole manager, is that in the LLC agreement?

A. The sole manager's responsibilities and authority are described in the LLC agreement. The

sole manager is also described in the Fieldwood I term sheet.

Q. I believe the Disclosure Statement says that the sole manager for Fieldwood I will be selected by Fieldwood and Apache.

Is that -- does that accurately describe the selection process in your mind?

A. Yes, there is a procedure that was outlined to select the sole manager between those two parties.

Q. Has a sole manager been selected?

A. Yes.

Q. And can you identify the sole manager?

A. Jon Graham. Jon Graham will be the sole manager.

Q. Describe for me the process regarding the selection of Mr. Graham to be the sole manager.

A. The procedure that was outlined in the term sheet allowed for each party, Apache and Fieldwood, to propose several names; and then there would be a mutual agreement or a procedure for determining if there wasn't a new agreement, Fieldwood I --

Q. So is it -- oh, I'm sorry.

Is it your testimony that the -- that

process has already taken place? Correct?
A. Yes.
Q. Were you personally involved in the selection of the sole manager for Fieldwood?
A. Yes.
Q. Were you personally involved with the proposal of names for the sole manager?
A. Yes.
Q. Who was on Fieldwood's list?
A. Fieldwood proposed Richard Black, David Abell, and Beau Thompson.
Q. Is Mr. Black a current employee of Fieldwood?
A. No.
Q. What is his -- what is his background?
A. Mr. Black was an attorney at Apache for many years and then was the former general counsel of Fieldwood.
Q. Is he currently employed by anyone?
A. Not to my knowledge.
Q. What about Mr. Abell, is he an employee of Fieldwood?
A. No, he's not.
Q. What is his background?
A. Mr. Abell has served as plan

administrator and a restructuring advisor and I believe may have had former finance and investment banking experience.

Q. Tell me about Mr. Thompson.

A. I believe Mr. Thompson is an attorney that served in restructuring-related roles for other oil and gas companies, and they also have a current role in the capacity of the liquidating trustee to my knowledge.

Q. Who was on Apache's list?

A. Apache didn't provide a formal list to Fieldwood. They had suggested that we meet and interview with Jon Graham prior to advancing a dialogue with respect to other potential candidates.

Q. The suggestion that you meet with Mr. Graham, how did that come to you?

A. We had a procedure, but then in the course of exchanging dialogue on the topic of sole manager selection, despite the formality of the procedure, there was a discussion of the potential candidates, and that was the candidate that was proposed by Apache for this role.

Q. Did you personally -- were you personally involved with the interview of Mr. Graham?

A. Yes.

Q. Who else from the Fieldwood was involved in that interview?
A. Tommy Lamme and John Seeger.
Q. During that interview of Mr. Graham, was anyone from Apache other than Mr. Graham present?
MR. PÉREZ: Object to the form of the question. It assumes that Mr. Graham was from Apache.
But go ahead and answer the question.
THE WITNESS: When I met with Jon Graham, there was no one from Apache present.
Q. (BY MR. GRZYB) So essentially it was a four-person meeting?
A. In the meeting in which I interviewed Mr. Graham, it was myself and Tommy Lamme.
Q. Tell me about Mr. Graham's background.
A. Mr. Graham has a very extensive résumé in the oil and gas base. He was an employee of Apache in many different divisions, including in the Gulf of Mexico and also as a leader in their HS and E group. He retired in April of 2020.
Q. Was he retired when you interviewed him?
A. Yes.
Q. Is he currently employed by the debtors?
A. He is not an employee -- he is not an

employee of the debtors, but he is serving in a consulting role.

Q. Is Fieldwood paying Mr. Graham for his consultancy?

A. Yes.

Q. I meant as opposed to someone else. But is Fieldwood as opposed to, say, Apache?

A. Fieldwood is paying Mr. Graham pursuant to his consulting agreement.

Q. Does Mr. Graham own stock in Apache Corp.?

A. You would have to ask Mr. Graham, I don't know.

Q. Was it ever discussed in connection with the interview?

A. No.

Q. Is it fair to say that the proposal by Fieldwood of Mr. Black, Mr. Abell, and Mr. Thompson was made to Apache before Apache asked you to interview Mr. Graham?

A. I don't recall the timing, but -- I don't recall the timing of when Mr. Graham's name was suggested for an interview versus the timing of when Fieldwood provided its proposals.

Q. Of the four gentlemen that we have

identified -- well, let me take a step back.

Is there anyone other than Mr. Abell, Mr. Thompson, Mr. Graham, and Mr. Black that were considered for the sole manager role?

A. Fieldwood had internal deliberations about who we would nominate for that role, but ultimately those were the three selections that we put forward. I'm not aware of Apache's internal conversations.

Q. Is it fair to say that -- well, let me rephrase the question.

Who at Fieldwood was -- had the final decision on Fieldwood's vote for who the sole manager should be?

MR. PÉREZ: Object to the form of the question.

THE WITNESS: The management team consulted about the potential candidates and the management team made a determination after advising with our board.

Q. (BY MR. GRZYB) Who was the -- of those -- is it fair to say that those four gentlemen ended up being the primary candidates for that position?

A. Yes.

Q. There is no -- no one really that was

given serious consideration from the Fieldwood side?
A. I'm not sure I follow your question.
Q. I'm just trying to limit my questioning to just addressing that the four gentlemen that we have identified, that there is no one else that we should be talking about in terms of being seriously considered for the position of sole manager.
A. I don't recollect any other candidates other than the ones we have discussed that were discussed in any meaningful way.
Q. Who did Fieldwood want to serve as the sole manager?
A. Fieldwood selected Jon Graham, along with Apache.
Q. And why did -- what made -- what about Jon Graham made him a good candidate in the eyes of Fieldwood?
A. Jon Graham has a very extensive history of dealing with complex, operational challenges, complex asset bases in organizations.
His résumé has a multi-decade career of operating in many different countries and with an asset base consistent with the one that Fieldwood is going to own, and particularly expertise around HS and E, and specific experience with Gulf of Mexico

assets, including the assets that are going to comprise -- including some of the assets that are going to comprise Fieldwood I, and for all those reasons, he was determined to be an excellent candidate for this specific position.

Q. Did you have any business relationship with Mr. Graham before the sole manager selection process?

A. No.

Q. Did you have any run-ins with him from your time starting in 2013 starting with Fieldwood to date before the sole manager selection process?

A. No.

Q. In his consultancy role, who does Jon Graham report to?

A. In his current consultancy role, he reports to the management team and executive leadership team of Fieldwood. I'm not -- I'm not certain if there is a specific reporting structure that is outlined in his consulting agreement or not.

Q. What does his work consist of on a day-to-day basis?

A. The Fieldwood I assets are a very large and complex asset base and his efforts have predominantly been focused on learning and

understanding that asset base.

Q. Does Mr. Graham in his consultancy role for Fieldwood communicate with Apache?

A. I don't know if Mr. Graham communicates with Apache, but it is the expectation that the consultancy role is meant to facilitate an orderly transition of these assets of Fieldwood in his capacity as the future sole manager; and to the extent that that requires him to consult with Apache as a part of all of the complex agreements that we are implementing, then we would expect he would be doing so in an appropriate manner.

Q. Is there a handbook or guidelines in place with respect to Mr. Graham's future role as sole manager?

A. The documentation that is going to govern his responsibilities is a part of the implementation agreement with Apache.

Q. Have any meetings taken place between and among Apache, Fieldwood I, and Jon Graham?

A. I don't know the -- I don't know. I don't know if there -- his role is as an interface with all these parties, and so I don't know if there are specific group meetings that have taken place or not.

Q. Have you had conversations with Mr. Graham about communications he's had with Apache?

A. I don't recall any specific conversations that I've had with him about his communications with Apache. Certainly when we are interviewing him, we had discussed his experience as an employee with Apache and his understanding of the responsibilities of that position as it had been described to him by Apache.

MR. GRZYB: All right. I am just about to transition. Alfredo, do you want to take 15 minutes for lunch?

MR. PÉREZ: Yeah, that would be great.

MR. GRZYB: 1:20?

MR. PÉREZ: 1:20 is fine.

THE COURT REPORTER: I'm off.

(Recess taken)

THE COURT REPORTER: Back on the record.

Q. (BY MR. GRZYB) Mr. Dane, when was the sole manager decision made?

A. I believe it was in the fourth quarter of 2020, but I don't recall the exact -- the exact.

Q. Is it accurate to say that decision was made sometime further back than a month ago?

A. Yes.

Q. Two months ago?
A. Yes.
Q. Has the decision been made with respect to the independent directors role?
A. No.
Q. Has the process to select the independent director started?
A. I'm not aware of advanced considerations with respect to the decision on who will represent the independent director position.
Q. What about un-advanced discussions, preliminary discussions?
A. I'm not aware of any recent conversations on the selection of the independent director.
Q. Has the sole manager's salary been set?
A. There was conversations and compensation expectations with the -- with John Graham in the interview process. There is not a formal agreement that I'm aware of that has been entered into with respect to compensation.
Q. The discussions regarding compensation expectations, can you give me a range that was contemplated during those conversations?
A. I don't recall the exact numbers. I know that there was an expectation that this position

would be commensurate with a senior executive level position at a company like Fieldwood or Apache and that general range of compensation for this type of position would be a base salary of $250,000 to $400,000.

Q. Mr. Dane, does -- did -- pre-petition, before the filing of bankruptcy, did Apache have any say in personnel decisions of Fieldwood?

A. No.

Q. Pre-petition, did Apache have any say with respect to the sale of assets by Fieldwood?

A. There are restrictions in the Decommissioning Agreement that govern the sale of assets, but other than agreements that were in place, no.

Q. Pre-petition, did Apache have any say in Farmout Agreements -- strike the question.

Pre-petition, did Apache have any say in farmout arrangements that Fieldwood entered into?

A. I believe that is the same answer as my last response.

Q. What about day-to-day operations, pre-petition, did Apache have any say in the day-to-day operations of Fieldwood?

A. The same answer.

Q. And that answer is that other than what's -- what was set forth in the agreements, Apache didn't have any say?

A. Correct.

Q. Pre-petition, did you personally interact with Apache on any type of regular basis?

A. No, not on a regular basis.

Q. Pre-petition, did Apache have any say in whether or not Fieldwood incurred debt?

A. The original Decommissioning Agreement contained restrictions on debt incurrence and also had the provision of certain lines and that that is -- that that was -- that was the extent.

Q. Pre-petition, did Apache have any say in capital investment projects undertaken by Fieldwood?

A. No.

Q. Pre-petition, did Apache have any say as to who would perform plugging and abandonment for Fieldwood?

A. I don't believe so.

Q. Pre-petition, did Apache have any say with respect to development activities?

A. I think you already asked that question and my answer was no.

Q. Is it fair to say under the Plan of

Reorganization -- I will strike the question.

Pre-petition, did Apache have any ability to control the use of Fieldwood's free cash flow?

A. The same response that I gave earlier, there are various restrictions that Fieldwood was subject to, particularly with respect to Decommissioning Agreement.

Q. Give me one second. I apologize.

(Exhibit 9 marked)

Q. (BY MR. GRZYB) Please pull up Exhibit Number 9, which is the LLC agreement, Document Number 1285-1.

A. I have it available.

Q. Would you go, please, to page 36 -- strike that question.

Can you explain to me generally your understanding of this document?

A. This document is generally the document that explains the governance of the Fieldwood I entity.

Q. Were you involved in the negotiation of this agreement?

A. I was involved in various high-level business point discussions, which ultimately were incorporated into this agreement.

Q. High-level business point discussions, do you have those with any folks at Apache?
A. Yes.
Q. Is it fair to say that this is a document that was negotiated with Apache?
A. Yes.
Q. Who is your negotiating counterparty at Apache on the business perspective?
A. Our interactions have generally been with their legal department.
Q. Is that firm counsel or in-house counsel?
A. With their internal legal department.
Q. And who -- what is the -- who would be a point of contact in their internal legal department?
A. The folks that we have generally dealt with at Apache's legal department have been Anthony Lannie and Brent Cupid.
Q. Would you mind repeating those names again?
A. Anthony Lannie and Bret Cupid.
Q. Is it fair to say that your high-level business interactions in negotiating this agreement have been with Mr. Lannie or Mr. Cupid?
A. Yes. And most of those took place during the time of negotiating the Fieldwood I term sheet,

which concepts are adopted in this agreement.

Q. Is it fair to say that this document --

A. I'm sorry, I would like to expand on one other party that we principally deal with from a business perspective, which is also their advisors at Parkman Whaling.

Q. Is it fair to say that this document, Exhibit Number 9, the Fieldwood I LLC agreement, is an embodiment of the governance rights that Apache bargained for in connection with that restructuring?

A. This document reflects the governance rights of Fieldwood I, which document was negotiated amongst the parties, which were ourselves and Apache and our respected advisors.

Q. Is it fair to say that this document embodies consent rights that Apache has with respect to the operation of Fieldwood I?

A. Yes.

Q. Is it fair to say that this document embodies information rights that Apache has with respect to Fieldwood I?

A. I don't recall the specific information rights that Apache has pursuant to this document, but if that is contained within the document, then I would agree.

Q. Turning to page 33 of Exhibit 9, looking at Section 706, is it fair to say that the intention of Fieldwood and Apache is that Fieldwood I will not be able to do any business other than operating or plugging and abandonment and decommissioning of Legacy properties and the GOM shelf properties without the prior consent of Apache?

A. In 706A --

MR. PÉREZ: I'm sorry, I had myself on mute. I am going to object to the form of the question: I think the document speaks for itself.

You're asking him, you know, for a legal interpretation. So to the extent that Mr. Dane can testify, you know, what the intent of the document is, but I think it is unfair to say -- look at 7.6 and say, is this what it means? And especially what it means as relates to Apache.

THE WITNESS: I think the document is very self-explanatory with respect to the actions requiring Apache consent.

Q. (BY MR. GRZYB) Give me one second.

Were any of Fieldwood's other creditors offered the right to fund the standby facility for Fieldwood I?

MR. PÉREZ: Object to the form of the

question: You're -- I think the assumption there is that Apache is a creditor.

But you can go ahead and answer if --

THE WITNESS: The Apache agreement was negotiated directly with Apache and it was conveyed to our lenders for their approval as part of an overall restructuring transaction, and ultimately the RSA and those parties were all aware of the provisions, including the standby facility, at the time that they all agreed to enter into the RSA.

(Exhibit 20 marked)

Q. (BY MR. GRZYB) I would ask, Mr. Dane, that you pull up Exhibit 20, which is Exhibit O to the Disclosure Statement identifiable as 1285-2, page 439 of 469, and that is the financial projections that are attached to the Plan of Reorganization.

Are you familiar with this document?

A. Yes.

Q. May I please have your understanding of what this document is.

A. This document was an exhibit to our Disclosure Statement. It is the financial projections exhibit which discusses the Fieldwood I, III -- excuse me, the Fieldwood I and NewCo entities, and it shows projections for each of those entities

over a five-year period.

Q. Are you personally involved in the creation of Exhibit 20?

A. Yes.

Q. What was your -- well, I'm going to call it Exhibit O, even though it is Exhibit 20 for purposes of this deposition.

What was your involvement in the creation of Exhibit O?

A. I was involved with the team that represented a broad cross-section of Fieldwood I employees in assembling the business plans and reviewing the various assumptions that formed the basis for the inputs for these projections.

Q. Are these -- the participants and the creation of Exhibit O, did that include your asset teams?

A. Yes.

Q. What about at the executive level, did any other executives, other than yourself, participate in the creation of Exhibit O?

A. Yes.

Q. Can you identify those executives?

A. Most of the executives with operational responsibilities were involved at some level in

helping to assemble the inputs for that plan and that would range from our operational executives, like Gary Mitchell; Steve Bodden; our VP of marketing, Jim Brysch; John Seeger, our senior vice president of operations; and a significant group of managers below those executives.

Q. Who at Fieldwood had the final say authorizing the publication of Exhibit O in connection with the Plan of Reorganization?

A. Our board of directors.

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence, but --

THE WITNESS: The company's board of directors.

Q. (BY MR. GRZYB) Are you personally expected to be the representative of the company with respect to Exhibit O?

A. Yes.

Q. Who at Fieldwood physically typed Exhibit O?

A. Our counsel and advisors, I believe, physically typed this exhibit as a part of their Disclosure Statement preparation activities.

Q. Is there anyone at Fieldwood with an engineering degree that has adopted the

representations made in Exhibit O?

MR. PÉREZ: Object to the form of the question: Vague.

MR. GRZYB: I will change the question.

Q. (BY MR. GRZYB) Is there anyone with an engineering degree at Fieldwood that has approved Exhibit O?

MR. PÉREZ: Same objection.

THE WITNESS: There is not a formal Fieldwood approval process for accredited employees, so I'm not sure how to answer your question.

Q. (BY MR. GRZYB) Let's please turn to page ten of the Fieldwood I projects -- I'm sorry, of Exhibit O, which is subtitled "Fieldwood I Projections".

The plan outlines a sales volume of 28,000 barrels of oil equivalent a day for the average of 2020. What is the company's current rate of production?

A. Is your question: What is the assets that would comprise Fieldwood I's current interaction?

Q. That's correct.

A. Obviously there is a lot of variability with respect to production, particularly on the

shelf, but generally, it has been in the low 20,000-barrel equivalent per day, over -- over recent weeks.

Q. Explain the distinction between the representation you just made of 20,000 barrels per day as compared to this projection on Exhibit O saying 28,000.

MR. PÉREZ: I'm going to object to the form of the question. There was no representation, he answered a question, so I object to the form of the question, I think it is misleading.

Q. (BY MR. GRZYB) I believe your testimony, Mr. Dane, was that over recent weeks of -- current level of production over the past recent weeks is 20,000 barrels per day, correct?

A. It was in the low 20,000-barrel equivalent per day range.

Q. But it is not 20,000, correct?

A. No, it is not, as of recent weeks.

Q. In the past year, has it been 28,000 at any point for any extended period?

A. I would have to go back and review our records and check this historic performance against these assets.

Q. Let me ask the question more directly.

What is the basis for the 28,000 barrels per day projection in Exhibit O?

A. So these projections represent a bottoms-up buildup of all the fields that are contemplated to be producing and the fields that are not contemplated to be producing that comprise the field with one asset base. Every field was evaluated by our asset teams and a determination was made if the field would be expected to be online. If it was not online, if it was expected to return to production or if it was not expected to return to production and the timing associated with each individual field, that was the basis for these projections.

Q. Is it, therefore, your testimony that it will require some work in order to get the production up to this 28,000 barrels per day?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: There is always variability with respect to daily production rates, and that has a host of factors that would -- especially over such a large asset base like Fieldwood I, but the basis for these projections is a detailed, bottoms-up analysis of all fields.

Q. (BY MR. GRZYB) Explain "bottoms-up analysis."
A. A "bottoms-up analysis" means that this aggregate number is the sum of assumptions related to every individual field that underlies that property set. Every field was reviewed and a determination was made for the appropriate assumption how to include the particular field, both at a production expense and any other relevant variable that would influence that particular field's contribution to these projections. These projections would represent the sum of all of those bottoms-up assumptions.
Q. Is there -- so is it -- is it true that you -- in order for Fieldwood to meet this projection amount of 20,000 barrels per day, certain currently offline wells need to be brought back online?
A. That is one factor that would relate to the variance that you're asking about.
Q. Does that 28,000 barrels per day include currently offline wells as an assumption?
A. In some cases --
MR. PÉREZ: That come back online? That come back online, is that the question?
Q. (BY MR. GRZYB) The question is: Does the 28,000 barrels per day include in the assumption that

currently offline wells are going to be brought back online?

A. Yes.

Q. Is there a list of those wells that need to be brought back online in order to increase production sufficiently to make these projections?

A. Yes.

Q. Do you know -- can you give me an estimate of those currently offline wells that need to be brought back on in order to -- can you give me an estimate of the number of wells that are being contemplated as being brought back online as part of the assumptions associated with these projections?

A. We don't track it on the basis of number of wells. The projections are generated pursuant to a model which was provided that specifies every individual field and its contribution.

Q. In your mind, is -- I will rephrase the question.

Look down under the same page, page ten, and go to the line item for capital expenditures. And it looks like for the period of May through December of 2021, this projection lists $29 million for capital expenditures.

Is it your projection that that amount of

capital expenditure will sufficiently bring production from the low 20s to the 28,000 barrels a day listed in the first line item?

A. The basis of these projections does not contemplate that this capital expenditure or variable alone is the basis for the difference between the current production rates that you asked about and the average daily production between May to December of 2021 that you're referencing, but there is a production contribution that is assumed as a result of the capital expenditures which is very clearly presented in the model.

Q. All right. So we have identified the bringing back certain shut-in wells back online as an assumption of -- that goes into this daily production level set forth in projections. We have identified CapEx expenditures that are going to bump up the production.

Is there any other assumption associated with this daily net production level set forth in Exhibit O?

A. Can you be more specific, any other assumption related to what?

Q. Well, you know what, I think I have phrased it incorrectly. And I used your word -- I

like your words better, "factors," right?
One factor that's going to increase daily production is bringing offline wells back online, correct? That is one thing we identified?
A. Correct.
Q. We also identified capital expenditures are going to increase daily production.
Looking at this projection in Exhibit O, what other factors will increase daily production from its current production level?
A. Those are the general categories that would contribute to any incremental production above current rates.
Q. So is your 28,000 barrels per day predicted production based on -- I will rephrase the question.
The increase in daily production from its current level to the 28,000 barrels per day listed in this projection is based on two assumptions: Bringing wells back online and capital expenditure of $29 million?
A. I wouldn't say that those are the assumptions that -- the basis for these numbers are the assumptions in the model about what fields are anticipated to be online and any incremental capital

contribution and the benefit of that production.

Q. Is it your prediction that if you spend $29 million over the period of May to December of 2021 and bring back the identified wells that the model says should be brought back online will increase production levels to 28,000 barrels per day?

A. If your question is does the model contemplate that certain fields need to contribute and be online and that the capital expenditures are required to general rate production and that forms the basis for the 28,000 barrels a day that's reflected between the May to December time period, I would agree, those are production contributing factors.

Q. What is the projected spend for plugging and abandonment on the Legacy/Apache properties?

A. Can you be more specific?

Q. For year 2021.

A. In these projections, Fieldwood I is projected to spend $70 million between the May to December 2021 period.

Q. Now, you say "in these projections."

Is that what the intent is for the projected spend on P and A for the Fieldwood I properties in the year 2021?

A. Projections as of a point in time with many assumptions. These assumptions included an emergent state of April 30th. There is going to be many factors that ultimately determine the total amount of capital that's going to be able to be spent and these projections, based on the assumptions that are outlined in this exhibit, show $70 million of spending that's outlined here.

Q. Where does the $70 million projection come from?

A. The properties that comprise the P and A spend in these projections represent properties that are either already scheduled for P and A or anticipated to be shut in during this period and scheduled for P and A., and these projections are based on the properties that are included in the model and the schedule that forms the basis for the P and A in these projections included in that model.

Q. Who identifies the P and A -- the properties --

MR. GRZYB: I can't hear you, Alfredo.

MR. PÉREZ: (Signals timeout).

MR. GRZYB: I see you, Alfredo, but I can't hear you.

THE WITNESS: I think he's saying he's

calling back in.

THE COURT REPORTER: I'm going off the record.

(Recess taken)

(The record was read as requested)

(Discussion off record)

Q. (BY MR. GRZYB) Who at Fieldwood gives the estimate of the 70 million for P and A?

A. The decommissioning department is responsible for generating those estimates.

Q. Who heads that department?

A. Our vice president of decommissioning, Brandon DeWolfe.

Q. Did he supply the decommissioning line items on this Exhibit 0?

A. He supplied the assumptions that were incorporated into these projections with respect to decommissioning.

Q. Switching back to the capital expenditure portion of the -- with respect to this first column on 2021, how long is it going to take to perform the work to get shut-in wells back online in order to increase production for the Fieldwood I properties?

A. Activities that are performed in order to reestablish an asset on our asset base happen on an

ongoing, day-to-day basis. Our asset base was heavily impacted by the historic 2020 storm season that resulted in a significant amount of disruption and minor damage to a number of our facilities, which has resulted in fields being brought back online or determined to be shut in going forward.

The activities that are required in order to reestablish production are generally related to construction activity, which is a part of our ongoing repair and maintenance program, and based upon the timing of being able to complete those projects on specific fields, we are able to return production from those fields.

Q. Am I to understand there is two concepts: If a particular asset has been -- was damaged in a storm, and it needs -- or I will rephrase the question.

Two concepts: Does the line item for R and M relate to bringing assets back online that were damaged during the storm season?

A. That's one component of what repair and maintenance dollars are spent on, and it has been a significant part of our recent repair and maintenance expenditures which is related to the 2020 storm season repair activities.

Q. So with that R and M spend, will that result in any increased production on a daily basis?
A. Yes.
Q. Does any of the capital expenditure spend on this projection relate to bringing back online assets damaged in the storm -- storms?
A. The capital expenditures that are incorporated in these projections are generally related to recompletion capital projects, which is not typically associated with repairs to facilities as it relates to storm damage. However, the timing of the ability to make those capital expenditures related to specific fields is going to be influenced by repairs that may need to be made to those fields as a result of storm damage.
(Exhibit 21 marked)
Q. (BY MR. GRZYB) Mr. Dane, I'm going to ask you to please open -- it is probably in native format in your data room -- Exhibit Number 21.
Were you able to access it?
A. Yes, I have it open.
MR. PÉREZ: Is it an Excel spreadsheet.
MR. GRZYB: Yes, it is.
Do you have it open, Alfredo?
MR. PÉREZ: Oh, yeah, okay, it is

opening.

Q. (BY MR. GRZYB) Now, I believe -- do you have a general understanding of what this -- this document, this Exhibit 21 marked FWE-000016 is, Mr. Dane?

A. Yes, I have a general understanding of this document.

MR. PÉREZ: I'm glad he does, because I don't.

Q. (BY MR. GRZYB) And what is that document, Mr. Dane?

A. This document is the model that forms the basis of the Fieldwood I projections.

Q. Again, did you read my outline before doing this deposition?

Okay. Looking at the model, Fieldwood, I will call it Exhibit 21, I would like you to open the annual forecast tab, which is all the way to the right.

A. Okay, I have this open.

Q. Now, looking at -- if you look at the line item, it is line 64 and -- wait, let me ask a question.

Does this model relate exclusively to the Fieldwood I properties?

A. I believe that's correct.
Q. Now, I would like you to look at line item number 64 and in particular, F64. You see the plugging and abandonment numbers on this spreadsheet?
A. I'm sorry, can you -- is that F65?
Q. It would be F60 -- F64 is -- well, it is -- on the horizontal, it is row six.
A. And what tab are you in again? Is this "Annual Forecasts"? I'm sorry, what tab?
Q. Yeah, "Annual Forecast."
A. Let me go to the correct tab.
Q. I can share.
A. I see it. I will get to the tab in a second.
MR. PÉREZ: Is it -- okay. My line 64 says "Capitalized G and A." Is that not right?
MR. GRZYB: You're one below it.
THE WITNESS: Alfredo, it is a different tab. If you would continue to go to the right to the tab labeled "Annual Forecasts."
MR. GRZYB: Why don't I share.
MR. PÉREZ: I see it.
Q. (BY MR. GRZYB) All right. Line 64, for the period of April 2021 to presumably March of 2022, this model lists plugging and abandonment at

$203,225,000. How does that square with the Exhibit O projection of $70 million for the period of May 2021 through December of 2021?

A. So the numbers that are in this row --

Q. This row on which document?

A. That you've pointed me to.

Q. Exhibit 21?

A. Correct. I don't believe those numbers were utilized with respect to the Exhibit O document. There are specific P and A schedules that form the basis for the P and A spends, and I believe that that's identified in separate tabs that have been provided.

Q. I guess I'm not following your answer.

What does this number, 203,225 (sic), on F64 on Exhibit 21 reflect?

A. I don't know. I'm not -- I don't know what that reflects. I don't believe that that is the number that is used in the projection, as you can see.

Q. All right. So I think you said P and A schedules were consulted in creation of Exhibit O and the use of $70 million for P and A for the balance of this year. What is the -- can you identify the P and A schedules that you're talking about?

A. These were provided -- there is a -- there is a detailed schedule in this model that outlines the P and A spend, I believe it is one of the last tabs, and these figures I believe are consistent, but there may be reconciliation between certain cost items that are included in P and A versus other items.

Q. Is there a name of the tab about which you're referring to?

A. I think it is -- I believe it is the last tab that is labeled as "Apache -- APA-2021 Plus Schedule Annual."

Q. "*APA Plus Schedule and Annual."

Is there any way I can modify this tab and to see -- to give me any kind of information about how we -- how you arrived at 70 million for the line item on Exhibit O?

A. Yes. So the projections assume that any available cash flow that the Fieldwood I entity is capable of generating, subject to minimum working capital needs, is utilized in order to perform P and A; and in the period May to December of 2021, that figure is $70 million.

Q. Correct me if I'm oversimplifying, but did you just essentially say that the $70 million

comes from available funds associated with the production?

A. No.

Q. Plus the --

A. I said that the construct of Fieldwood I as an entity is that its primary business function is to conduct P and A to officially manage the Fieldwood I obligations and that after considering other required expenses and any capital expenditures in order to generate cash flow for P and A, any available cash flow, subject to minimum working capital requirements, is utilized to conduct P and A, and in this period, that amount that is available is $70 million.

Q. Has that projection been accepted by Apache?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: Apache and their advisors are familiar with these projections and the construct that this exhibit in the Fieldwood I model represents, and they are aware of the level of P and A that's anticipated to be able to be conducted by Fieldwood I and the construct by which the cash is used by Fieldwood I to conduct that P and A.

Q. (BY MR. GRZYB) So I guess the question becomes: What is the annual forecast -- the number of -- the number in the annual forecast of $220 million, give or take, for 2021, where does that number come from?

A. The number that -- it is hard coded in this model. I would have to ask our subject matter experts to reconcile this, but the P and A forecast that is relevant is the tab where it outlines every individual field and it shows the annual spend in each period.

Q. Do you have any understanding of whether governmental entities would be satisfied with the $70 million spend for 2021 as referenced in Exhibit O?

A. Is this a hypothetical question? I don't understand the question.

Q. No. I assume that the $70 million, and I think what you have testified to is, it is based on some analysis by Fieldwood in connection with these properties. Is it your belief that this $70 million number, going back to Exhibit O, will be sufficient to satisfy governmental requirements with respect to the Fieldwood I assets?

MR. PÉREZ: Object to the form of the

question: Vague.

THE WITNESS: $70 million is the amount of capital that is available within Fieldwood I pursuant to these projections. The properties that are contemplated, being P and A under this model for 2021, are listed on the tab that shows $175 million to spend, according to what I'm looking at.

Q. (BY MR. GRZYB) Sir, I guess that's -- that's my question, which is: How do you bridge those two gaps, is there -- are there properties listed on the annual forecast that are not going to be decommissioned during the same timeframe?

MR. PÉREZ: Object to the form of the question -- I'm sorry. Yeah, I'm going to object to the form of the question, because it assumes, you know, facts not in evidence.

MR. GRZYB: And maybe I just didn't hear his answer correctly.

Michelle, may I please have his last answer.

THE COURT REPORTER: Certainly. One moment.

(The record was read as requested)

Q. (BY MR. GRZYB) One second. Excuse me.

All right. Turning back to Exhibit O,

can you please explain to me the line item and amendment for trust contributions.

A. Trust contributions are the required contributions for Trust A pursuant to the Trust A MPI and the Decommissioning Agreement.

Q. So is that an indication that Fieldwood is projecting an inability to meet decommissioning requirements based solely on Fieldwood?

A. No, no.

Q. So what is -- how is it that the projection includes a -- drawing upon trust contributions?

MR. PÉREZ: Just -- go ahead, Mike, I'm sorry.

THE WITNESS: That answer is mischaracterizing this -- these projections. That's --

Q. (BY MR. GRZYB) Explain to me how the trust contribution plays into this projection.

A. Pursuant to the Decommissioning Agreement and the Trust A net profits interest, the Trust A net profits interest is a 10 percent net profits interest on all the properties that were acquired from Apache in 2013. There is a Trust A1 MPI as well, and those net profits are based on the net profits of the

properties that are going to be related to Fieldwood I.

To the extent that those properties have a positive net profits interest, then that is required to be put into the trust, as it has been since the creation of those net profits interest at inception.

Q. So the current -- is this -- is this projection on Exhibit O an indication that based on this projection, there is no net result to the amount of cash in Trust A?

A. I don't understand your question. Excuse me, I'm sorry. The net result is the Trust A cash increases, because Fieldwood I is depositing $7 million in this first period into the trust.

Q. This projection includes net profits of $7 million; is that what you're saying?

A. This projection assumes that the MPIs associated with the Decommissioning Agreement generate $7 million of net profits interests, which are required to be placed into the trust.

Q. In your Exhibit O projection, is there any reliance or assumption that there will be a drawing on the decommissioning security relating to these projections?

A. In a number of periods, the anticipated P and A activity may exceed the available cash flow within Fieldwood I, and to the extent that that is the case and that work is required to be done, then it is assumed that other sources of capital that may be available for these purposes pursuant to those agreements would address that activity.

Q. Let's look at the period of May to December of 2021. Do any of these numbers reflect an assumption that Trust A cash will be utilized?

A. The activity that is contemplated for the 2021 period is higher than the total P and A activity that is contemplated for the 2021 period, exceeds the $70 million that's available through Fieldwood I and that contemplates that additional security could satisfy those obligations.

MR. PÉREZ: I'm sorry, I'm going to move to strike the question.

I think he asked you: Does Exhibit O contemplate any other resources? Does this projection include any other resources?

THE WITNESS: I apologize, I misunderstood the question.

Exhibit O does not assume any other resources.

Q. (BY MR. GRZYB) Well, from an operational perspective, does Fieldwood project being required to draw on Trust A cash for the balance of the year to perform its decommissioning obligations?

A. Fieldwood as --

MR. PÉREZ: Objection to the form of the question. Fieldwood I doesn't have an ability -- Fieldwood I doesn't have an ability to draw on Trust A cash. So, I mean, I think the premise of the question is just inappropriate.

THE WITNESS: Correct, Fieldwood does not have the ability to draw on the trust.

Q. (BY MR. PÉREZ) Is it -- is it projected that there will be insufficient funds generated from cash flow and the initial capitalization of Fieldwood I to meet its decommissioning obligations for the balance of the year?

A. No, it is -- Fieldwood I looks holistically at all sources of capital that are available to satisfy the obligations, and those sources of capital are sufficient to address all the obligations that are anticipated to -- that are anticipated to arise.

Q. The holistic approach that you just mentioned, does that include the Trust A cash?

A. The Trust A cash is a source of capital that is available under the terms of the -- of that agreement to address P and A.

Q. Well, does Fieldwood project that Trust A cash will be drawn upon by someone during the next -- during the balance of the year?

MR. PÉREZ: I am going to object to the question.

Are you talking about in the projections in Exhibit O?

MR. GRZYB: Well, you know, I'm not sure what I'm talking about, because I don't know if it is --

MR. PÉREZ: Okay.

MR. GRZYB: -- if his goal is a reflection of reality or it is not.

Q. (BY MR. GRZYB) I guess my question is: In the real world, is Fieldwood projecting that Trust A cash will be drawn upon during the balance of the year?

A. So --

MR. PÉREZ: I want to object to the question. Fieldwood doesn't have the ability to draw on Trust A cash.

So to the extent you know what anybody

else can do, you can go ahead and testify, but this is not Fieldwood I.

MR. GRZYB: But, Alfredo, he did testify that it is part of the holistic approach that Fieldwood considered when it looked at Fieldwood I.

MR. PÉREZ: Right. Yeah, and it's -- I said I'm not preventing him from testifying.

But go ahead.

THE WITNESS: In the real world, the Fieldwood I is going to utilize all of its available cash flow to conduct P and A activities. To the extent that that cash flow -- which is going to be dependent upon a number of variables: Production, pricing, the level of activity that is attainable in each period, whether to the extent that there is a need to spend money on decommissioning that is above the available resources in any given period of Fieldwood I, there is a number of other sources of security that are available to satisfy those liabilities.

Q. (BY MR. GRZYB) Name one other source of security.

A. The Decommissioning Agreement as it was originally contemplated, and is anticipated to continue, provides for the security that we addressed

earlier, which is the Trust A cash, which is presently approximately $240 million, and the bonds and LCs, which comprise nearly $500 million.

Additionally, to the extent that the initial capitalization of Fieldwood I, which is going to be paid for through this restructuring as the difference between 50 million -- $50 million and any amount spent on P and A, that to the extent that initial capitalization and any cash flow from the operations of Fieldwood I and then any other security, as discussed, may be insufficient, the Fieldwood I entity has a $400 million standby facility, which is also available; and then obviously behind all of those sources is Apache, which is an extremely well-capitalized, multibillion-dollar company.

Q. So it is fair to say, then, that Exhibit O does not include all sources of capitalization associated with what it may require in order to meet the decommissioning obligations of the Fieldwood I assets?

MR. PÉREZ: Object to the form of the question: Assumes facts not in evidence.

THE WITNESS: I think it is fair to say that it does not reflect all the various sources of

capital that are available to meet those obligations.

Q. (BY MR. GRZYB) Does Fieldwood have any projections or analysis of sources of capital beyond what's set forth in Exhibit O that will be required in order to meet the decommissioning obligations associated with Fieldwood I?

A. The schedule of anticipated P and A is included in various schedule as part of this model and various other discovery requests that have been provided, and all of the funding mechanisms that I described are well described within our plan and Disclosure Statement, as well as the various documents that they are provided pursuant to.

Q. Can you walk me through -- if we go back to Exhibit 1 and find for me for the year 2021 what the -- without regard to source, what will be the decommissioned spend with respect to the Fieldwood I assets.

MR. PÉREZ: Object to the form of the question.

You're asking him to speculate as to what the actual expense is going to be.

Q. (BY MR. GRZYB) And that question was like three minutes long, so I will try and do a better job of it.

Can we go to Exhibit 21, please, together. And I think, Mr. Dane, we identified this as the Fieldwood I model, correct?
A. Yes, this is a -- that is a Fieldwood 1 model.
Q. Okay. Regardless of the source of fund, let's put that aside. Let's --
Is there a tab in this spreadsheet that has a projection with respect to the 2021 P and A spend for the Fieldwood I assets?
A. It doesn't mention it. Although I don't know that this is the -- the numbers look directly -- I'm looking at the tab that is the last tab that we reviewed. Although I'm not certain that this is the final version, because, as you've pointed out, this is not exactly the same as the financial projections exhibit, but the numbers look directionally correct to me in that -- in that tab.
Q. One second. I apologize.
All right. Mr. Dane, looking back at Exhibit 21, and we're at the *APA 2021 Plus Schedule Plus Annual, if I look at AH-7, and I have a number of 175,905 --
A. Correct.
Q. -- do you see that?

A. Yes, I do.
Q. Tell me what that number represents to you.
A. The anticipated spend for the full year 2021 based on these projects.
Q. The anticipated -- and is that -- are the projects about which you're speaking plugging and abandonment?
A. Correct.
Q. And the assets associated with that -- with that 175,905 number are the Fieldwood I assets, correct?
A. Yes.
Q. So if -- going back to Exhibit O, if Apache spent -- if both the P and A spend on Exhibit O for 70 and the projection on Exhibit 21, that 175,905 number, were accurate, meaning if Apache spent $70 million and it was required to spend 175,905, then it would have to acquire the 105,905 -- 105 million from some source other than cash flow, correct?
MR. PÉREZ: Object to the form of the question.
You know, you're asking what Apache is going to spend in Fieldwood I, I think it is just a

fundamentally unfair question; and I also think that you're mischaracterizing what he said that the 175 was. It was not that what was going to be spent, it is what -- the things that could be spent on. I think that's what his testimony was, but --

Q. (BY MR. GRZYB) Where does that 175,905 number come from?

A. That is the cost expectation of all of the projects that are scheduled with respect to each field for the full year 2021.

Q. Mr. DeWolfe and his team developed that number, correct?

A. Correct.

Q. Has anyone from Fieldwood discussed with Apache Exhibit 21?

A. I believe Apache has a copy of similar materials and these schedules have been shared with Apache.

Q. Has Apache commented upon Exhibit 21?

A. I don't know that Apache has commented specifically on Exhibit 21, but Apache is very familiar with the overall level of spending that we're discussing.

Q. Going back to Exhibit O, can you explain to me how Fieldwood arrived at the direct operating

number?

A. For the direct operating number, similar to the production figures, is a bottoms-up buildup of each field's anticipated contribution to the total operating expenses, and it reflects the status of each field and if it is expected to be producing and a level of OpEx commensurate with a producing field or if the field is anticipated to be shut in and a commensurate level of operating expenses for a shut-in field as well.

Q. Can you explain to me on Exhibit O the drawing of $45 million on the standby credit facility?

A. That is described in the Disclosure Statement and it is described as an initial funding in order to cure certain underspent amounts in prior periods related to required spend levels under the Decommissioning Agreement.

Q. So who is providing the $45 million?

A. The borrower. Excuse me, I apologize, the lender under that.

Q. And the lender would be?

A. Apache.

Q. But correct me if I'm wrong, I think you testified to an underspend by Fieldwood with respect

to the Decommissioning Agreement, correct?

A. Yes.

Q. So how does the lending of $45 million result in a cure with respect to that underspend?

A. In -- in prior periods, there was a requirement to spend $80 million annually, and in 2020, the total amount of spend was approximately $50 million below the required spend level. Depositing this money into the trust most of, which is provided through this initial standby facility draw, it remedies that required underspend.

Q. So is it correct for me to characterize that as: You're going to use that $45 million to make up the underspend from last year but then you'll have to pay that back to Apache?

A. No.

Q. How -- how is that inaccurate?

A. Can you -- can you restate your question? What will -- who will have to pay what back to Apache?

Q. Well, I assume that that loan -- those are loan funds that you'll have to ultimately -- sorry, Fieldwood I will have to pay back to Apache, correct?

A. Any balance under the standby facility

Fieldwood I will be responsible for repaying to a borrower -- excuse me, to a lender pursuant to the terms of that agreement.

Q. And is it the intent operationally, for Fieldwood to cure its underpayment for decommissioning by utilizing this initial funding of $45 million under the standby facility to make up the shortfall?

A. This is described in the Disclosure Statement and the initial draw is meant -- the initial draw is intended to cure underspent requirements from prior years.

Q. So from a practical perspective, is this P and A for 2021 70 plus 45?

A. No, the 45 is not spending on P and A. It is money that is being drawn under the facility to be deposited into the trust and the $70 million of spending is the spending associated with only the period May to December 2021 by Fieldwood I on P and A.

Q. Mr. Dane, please explain to me the line item for a change in net working capital.

A. A change in net working capital is intended to represent the effect of cash-related net working capital that will result from the

transactions that are contemplated under the plan and then going forward in ordinary course of the business.

MR. GRZYB: Michelle, may I have that read back, please.

THE COURT REPORTER: Yeah, one moment. Just the answer, right?

MR. GRZYB: Yes, please.

(The record was read as requested)

Q. (BY MR. GRZYB) How does the transactions contemplated in the plan result in a positive cash event of $36 million for that change in net working capital line item?

A. The agreement with Fieldwood I under our plan has a pre and post effective date concept, whereby there will be significant assumed obligations of the NewCo, which include all pre-effective date ordinary course payables; and then Fieldwood I would be responsible for any post-effective date charges or expenses and will receive the benefit of any post-effective date revenue; and as is typical in a pre and post-effective date transaction, that can result in a significant benefit to a party where you are receiving revenue on a much more current basis than the expenses that you are required to pay, which

typically will lag by several months.

Q. You're getting -- you're getting a holiday on your payables for a period of 60 days?

A. That's correct. And for -- for a period of whatever period of time it is that you would customarily receive invoices and then have payments due upon the receipt of those invoices. It may be a lot longer.

Q. It is more than a holiday, it is actually leave from that obligation?

A. I don't think it is relief from an obligation as much as a timing benefit of expenses, invoices being received and then due much later than revenue receipts, which come in on a monthly basis.

Q. The calculation for net working capital, is that based on historic payables?

A. Historic payables and receivables.

MR. GRZYB: Alfredo, do you want to take five and then -- I can't hear you. We will take five?

MR. PÉREZ: Okay, I got it. Can you hear me now?

MR. GRZYB: I can hear you. 4:10?

MR. PÉREZ: 4:10's good. Thanks.

THE COURT REPORTER: I'm off.

(Recess taken)
THE COURT REPORTER: Back on the record.
Q. (BY MR. GRZYB) Has Fieldwood conducted a year-end 2020 reserves analysis?
A. Yes.
Q. When was that analysis performed?
A. It was performed late in 2020 into early 2021 and delivered I believe in April.
Q. Is there an executive at Fieldwood that is in charge of overseeing that analysis?
A. Yes.
Q. And who is that executive?
A. The -- our manager of corporate reserves is Scott Schmidt, who reports to our senior vice president of engineering, reservoir engineering, Gary Janik.
Q. Is it accurate that Fieldwood performs its own reserves analysis?
A. Fieldwood is responsible for conducting -- for estimating the reserves and compiling a reserve report, which is audited by our outside auditor, Ryder Scott, on an annual basis.
Q. Who at Fieldwood is the point person in interfacing with Ryder Scott?
A. That responsibility is with our corporate

reserve engineering team, which is led by the manager of corporate reserves, Scott Schmidt.

Q. Has the year-end reserves report been audited by Ryder Scott?

A. Yes.

Q. Are you familiar with the instructions that Fieldwood has given to Ryder Scott?

A. Generally speaking, I am familiar.

Q. Can you describe those instructions generally?

A. We retained Ryder Scott in order to conduct an annual audit of our internally prepared reserves. That audit is intended to establish the accuracy of our reserves within an accepted tolerance, and that audit is intended the audit a level of value of the reserves of at least 80 percent in order to be in compliance with various historic provisions under our credit agreements --

Q. And --

A. -- in that audit.

Q. I'm sorry, you can finish your answer.

A. I'm all done. Thank you.

Q. 80 percent of what?

A. Of the provided reserve value, I believe.

Q. What fields get audited by Ryder Scott?

Let me rephrase question.

Is there any instruction by Fieldwood to Ryder Scott as to what fields are to be audited?

A. Fieldwood selects a set of fields for the Ryder Scott audit in order to meet the minimum value thresholds which have historically been a feature of its credit agreements. Ultimately the amount of value that is audited is stated very clearly in the reserve letter, along with non-audited reserves that the company includes as a part of its internally prepared reserves.

Q. Is there a procedure for selecting the fields that Fieldwood requests to be audited by Ryder Scott?

A. There is an internal thought process as to that field selection.

Q. Could you please explain to me the thought process?

A. The thought process consists of a number of important factors, both to accomplish the goal of making sure that a representative society of properties are audited to be efficient with respect to the work that's required to audit our reserves given the size of our property site, to based on fields that Ryder Scott has a level of familiarity

with, given their historic function as the company's reserve auditor, such that the process is efficient, and also to give comfort to outside stakeholders that a sufficient level of properties is being selected for inclusion such that the audit is meaningful.

Q. Do the properties selected by Fieldwood for auditing change from year to year?

A. Yes.

Q. Is it accurate to say that Fieldwood gives a new set of properties to be audited each year?

A. Fieldwood coordinates with Ryder Scott as to what properties are going to be audited in order to meet the thresholds, and it is generally not an entirely new set of properties, it is customarily supplemented, and depending upon the values that are reflected in each given year in order to meet the objectives that I described.

Q. Do you have -- personally have any say in which fields are audited on a yearly basis?

A. I have not historically provided direct guidance through the process. That's something that our manager of corporate reserves deals with directly. However, we have discussed historically certain threshold levels that we wanted to achieve in

order to deliver a comprehensive audit of our reserves in line with our credit agreements.

Q. Is there any written policy with respect to selection of -- I will start over.

Is there any written policy with respect to the selection of fields to be audited?

A. There is not a written policy other than the requirement under our credit agreements that -- historically that a certain value threshold was required.

Q. So if I'm understanding your testimony correctly, there should be a list from Fieldwood from year 2020 of fields that were audited by Ryder Scott?

A. Yes.

Q. Is that part of any report that's in the Disclosure Statement or Plan of Reorganization, since you've memorized it in preparation of this deposition?

A. I don't believe that's -- I don't believe that that is included, but neither are the reserve -- the reserve report -- neither is the reserve report, to my knowledge.

Q. Is the reserves report part of the binder that you reviewed in connection with your preparation for this deposition?

A. Yes, it was.
Q. Can you please describe Fieldwood's reserve booking methodology.
A. The booking methodology is generally consistent -- or is consistent with SEC booking standards.
Q. And what are those SEC booking standards?
A. SEC booking standards govern the way in which you are allowed to recognize reserves within various different categories, whether that's proved, probable, possible, contingent. There is certain requirements that govern the ability to recognize reserves based on each of those categories that's laid out within the SEC guidelines related to reserve recognition.
Q. With respect to assets that Fieldwood has, is it Mr. Schmidt's team that makes the determinations as to proved, possible, and contingent?
A. Mr. Schmidt's team is responsible for the preparation of the reserves. So reserves that they believe appropriately meet the definition of each category is within their responsibility of preparing reserves.
Q. Is there a written procedure regarding

the booking of reserves?
A. I believe there are written SEC reserve recognition guidelines that govern these procedures.
Q. Is there a written policy internal to Fieldwood regarding the booking of reserves?
A. No.
(Phone rings)
Q. (BY MR. GRZYB) How often are Fieldwood's reserves updated?
A. The company is required to produce two reserve reports a year under its various credit agreements, so two reports are prepared.
Q. Other than Ryder Scott, who I understand to be the auditor of Fieldwood's reserves, does Fieldwood retain any other professionals with respect to reserves report?
A. Do you mind if I clarify? Is your question outside professionals --
Q. Yes.
A. -- from --
Q. I will ask that. Are there any outside professionals retained by Fieldwood other than Ryder Scott with respect to reserves reporting and analysis?
A. There are no other outside professionals

that are retained as part of the annual audit which is conducted solely by Ryder Scott.

Q. How did the company accounts for issues related to the pandemic in their reserve estimates for midyear 2020?

A. So issues related to the pandemic include factors such as pricing, which can influence the economic viability of reserves. Our reserves were run at SEC prices for purposes of the audited reserve report, and reserves that qualified to be recognized under those price assumptions were included and reserves that did not meet the economic threshold for inclusion based on those prices were not included.

The pandemic also resulted in a number of fields either being either temporarily or permanently shut in and the status of those fields and their reserves was appropriately accounted for within the reserve report.

Q. Does your answer that you just gave with respect to midyear 2020 apply also with the year-end 2020 reserve report?

A. Yes, the year-end reserve report is the only audited report. Both reports are prepared internally.

Q. Were any revisions required to be made to

the midyear reserve report based upon a timing of the bankruptcy announcement?

A. The reserve report does not reflect -- the reserve report that was audited does not reflect the bankruptcy. Our audited financials are prepared in accordance with GAP which reflects the ability to recognize certain categories of reserves in line with SEC -- in line with GAP reporting standards.

Q. With respect to fields that are expected not to return to production, have those reserves been written off?

A. Yes. As of the date of the determination of the lack of desire to bring those fields back online, if it is known at that time, then that status is incorporated into the appropriate reserve report assumptions and those reserves would be written off.

Q. When Fieldwood acquired the Apache properties in 2013, was there a baseline of data from Apache regarding the reserves for those fields?

A. Yes.

Q. Did Fieldwood itself perform a reserves analysis of the Legacy/Apache fields?

A. At what point in time are you asking?

Q. During the acquisition process in 2013.

A. I don't recall. I don't recall what

reserve work was done by other parties at that time or -- or both --

Q. Who at -- during -- during the 2013 acquisition process, was Ryder Scott the auditor with respect to the Legacy/Apache fields?

A. I believe so, but I'm not certain.

Q. How long has Fieldwood been working with Ryder Scott in connection with reserve audits?

A. Since the inception of Fieldwood in 2013.

Q. And Ryder Scott performs the reserves analysis with respect to deepwater assets in Fieldwood's portfolio as well, correct?

A. They perform the audit with respect to the deepwater properties, as well as all other Fieldwood properties.

Q. Did the lower commodity prices affect Fieldwood's ability to spend on projects?

A. Yes.

Q. Are projects that can -- are there projects that can't be funded that are nonetheless included in the reserves?

A. The reserve report is a reflection of what the assets are. The reserves attributable to the asset base that the company has, part of the assumption with respect to generating reserve reports

is that we will have an ongoing business and eventually merge from bankruptcy.

Our audited financials, that are prepared pursuant to GAP, appropriately account for any GAP-related reserve recognition requirements.

Q. What is the split of the 80 percent to Ryder Scott for auditing, what personnel in the Fieldwood I bucket and what personnel into the deepwater bucket?

A. I believe the reserve report audited value ended up being substantially higher than 80 percent. That was just the minimum threshold. That number is stated in the letter. I don't know offhand the split of properties the way that you are asking.

Q. Did the list of properties to be audited skew in favor of the deepwater properties because they're more valuable?

MR. PÉREZ: Object to the form of the question: Vague.

Q. (BY MR. GRZYB) Well, you see what I'm asking, right? You had to make a value -- you had to make it to a certain value.

Is it accurate to say that on that list there are likely more deepwater assets than there are

shallow assets?

A. The decision-making process isn't informed by deepwater or shallow. It is informed, as I mentioned, by the properties that have historically been audited, the amount of value that we need in order to meet thresholds, the amount of work intensity related to auditing properties relative to the value that is going to be contributed as part of the audit.

So I don't know the answer as far as the delineation that you're asking, but typically speaking, high value properties are included in the audit in order to meet the required thresholds.

Q. Has there ever been a time during your tenure at Fieldwood that Ryder Scott was outside of audit tolerance during their review?

A. No.

Q. Has there ever been a difference in the company's view with Ryder Scott's review with respect to a reserves assessment? I will clarify that.

Has there ever been a material difference between the two, between Ryder Scott's analysis of reserves portfolio and the company's view of a reserves portfolio?

A. On an aggregate basis, our reserve report

has always been well within the tolerance, which suggests to me that Ryder Scott does not have a material issue with respect to our reserves.

Q. Is there an internal process for updating lease operating costs, pricing differentials, and other economic drivers within the reserves report?

A. Yes.

Q. Can you describe that process, please.

A. Those are all assumptions and variables that underlie any reserve report update. The process comprises of our corporate reserves department working with all of the other various departments that are required in order to provide those inputs.

With respect to the expense items that you mentioned, LOS statements and historic operating expenses by field are updated during each reserve preparation update process. Differentials are provided by the marketing department based on recent historic differentials. Each of those variables gets updated during each reserve, especially preparation cycle.

Q. Explain to me the interface between the asset level teams and the reserves teams at Fieldwood.

A. The asset teams are responsible for the

ordinary operational planning and operations of the assets. The corporate reserves team is responsible for preparing the reserve figures associated with those assets. The overlap between the two occur as the departments interface amongst each of them, including other departments such as production, in order to understand the current state of each of the assets conduct periodic reviews, such as well reviews associated with each property and area, which provide updated status and planning for each of the properties which inform each of the departments and are the basis for the updates that the corporate reserve engineering team makes in their reserve preparation.

Q. How often does the asset team update the reserve team with respect to, for example, re-completed wells?

A. The -- oftentimes it is the other way around. The -- the asset team is responsible for planning what capital projects will take place. Those events, once they occur, are incorporated into reserve updates. The two of them interface regularly in order to understand differences in terms of -- in order to understand the status of reserves as it relates to booked reserves versus ongoing assessments

that other teams may be conducting, because there are reserve engineers within both teams.

Q. Has there been a material difference of opinion ever between the asset team and the reserve team --

MR. PÉREZ: Object to the form of the question: Vague.

Q. (BY MR. GRZYB) -- with respect to reserves?

A. We manage a very, very large property set, and those two functions have different responsibilities. Reserves have been interpretive analysis based on prescribed guidelines, and there are often debates amongst the different team members and groups of reservoir engineers as to -- as to reserves associated with particular projects.

In the aggregate, I'm not aware of material disagreements amongst the teams.

Q. Is there a process in place at Fieldwood to ensure a booked reserve ties to the company plan or budget?

Let me add another --

MR. PÉREZ: Object to the form of the question.

MR. GRZYB: I will ask a better question.

Q. (BY MR. GRZYB) Is there a written company plan that would -- is that -- is there a written -- for any given year in terms of operations, is there a written company plan?

A. I'm sorry, is there a written?

Q. Company plan for Fieldwood's operations.

A. Sorry, can you repeat the question?

Are you asking is there a policy that -- is there a policy, or are you asking does the company do an annual plan?

Q. Does the company -- first question: Does the company do an annual plan?

A. The company does an annual plan.

Q. Did the company do an annual plan for the year 2020?

A. Yes, the company did an annual plan for the year 2020.

Q. Is there a process in place that ties booked reserves to the company -- the annual company plan?

A. There is a cross-functional collaboration that takes part (sic) as part of that plan. There is not a policy in place. There is a review procedure where all the departments are participating in assembling the plan, but there are always fundamental

differences between SEC booking standards and what is required under a reserve report versus a business plan, which is not constrained by those same limitations.

Q. If Fieldwood reserves a PUD, does that mean they intend to develop it?

A. Can you repeat the question? If Fieldwood -- I missed the word after the "Fieldwood."

Q. Lists a PUD on its reserves analysis, does that mean -- does that mean that Fieldwood intends to develop it?

A. If a PUD is going to be listed in the reserve report, it would need to be developed within the appropriate period of time.

Q. Does that mean within the year referenced in the reserve report?

A. The puds that are scheduled for inclusion in reserve reports generally need to be drilled within a five-year period of time, unless there are circumstances that would require drilling it at a later date operationally.

Q. How often are the volumetric assumptions updated by Fieldwood in connection with its reserves?

A. To the extent that volumetric analysis is utilized for reserve estimation, it is updated as

often as the reserve reports are prepared, if present.

Q. Have proved reserves for the Legacy/Apache properties increased or decreased since acquisition in 2013?

MR. PÉREZ: You mean 2013?

Q. (BY MR. GRZYB) Since 2013.

MR. PÉREZ: If you know.

THE WITNESS: I don't have the analysis in front of me, but I would imagine that they have materially decreased.

Q. (BY MR. GRZYB) How does the company keep track of lease expiration dates and manage the leases they want to keep? With respect to, you know, for example, shut-in wells that got shut in during the pandemic, how is that process managed?

A. That process is managed with several different departments. It is managed with our land in our land administration department, it is managed within our regulatory department, and it is also managed with respect to our reservoir engineering and asset teams. It is within each of those group's responsibilities to manage the monitoring, timing, required regulatory reporting and forward planning in order to propose if leases are going to be approved

for exploration or not.

Q. On the ARIES database that has been produced -- and I just think I have one question on it personally, I don't know if anyone else will have questions on it -- there are several thousand cases that are in the category of "other."

What is that category?

A. "Other" is a database administration category which contains historic reserves figures associated with properties that no longer have another place in the reserve report, but for purposes of maintaining the data for reference, they are stored in the "other" category.

(Exhibit 10 marked)

Q. (BY MR. GRZYB) Do you mind to please open what's been marked Exhibit 10.

A. I have it open.

Q. It is a spreadsheet, Exhibit 10, FWE0000002. Are you familiar with this document?

A. Yes, I am.

Q. And could you please describe to me what this document is.

A. This document was a document that was sent to the company by BSEE listing certain priority platforms which they desired to understand the status

of.

Q. Were you involved in the communications with BSEE relating to Exhibit 10?

A. No, I was not.

Q. Who from Fieldwood was involved with the communications with BSEE?

A. Primarily John Seeger.

Q. Are there any INCs associated with the assets listed on Exhibit 10?

A. Yes. I believe that there are INCs that were associated with these assets and that have been rectified and there are also outstanding INCs in some cases.

Q. Can you identify for me which of the assets on this list had INCs that have been rectified?

A. I don't believe I will be able to identify all of them by memory. There is a version of this same file that I believe you were provided, which showed Fieldwood's correspondence back to BSEE, and it outlines the date at which INCs have been resolved or what was outstanding or other when it was anticipated to be resolved.

Going down the list -- if you want to pull up that document, I could talk more

specifically. I know that there was an INC at East Briggs 160 that is referenced. That was resolved. I know that there are a couple of INCs outstanding in lines 12 -- 11 and 12, which are scheduled to be resolved this month.

Q. This list --

A. Just a correction, it was line seven that was scheduled to be resolved this month.

Q. Is the concept of an INC different than -- in your mind, than why BSEE put these assets on this list? That is a poorly phrased question.

Is there -- is there a reason in your mind why BSEE put these assets on -- on this list?

MR. PÉREZ: Object to the form of the question: Calls for speculation.

THE WITNESS: It was -- this list was described to us as a list of facilities that BSEE considered a priority. That's -- I don't have any knowledge as to how they made this particular selection in 13 facilities.

Q. (BY MR. GRZYB) Looking at line 13, Ship Shoal 207 is referenced. Do you know if the issues raised by BSEE in this document have been resolved with respect to that asset?

A. Would you mind if we reviewed the more

recent version of this spreadsheet that contains those comments so I can give you the most accurate answer?

(Discussion off record)

Q. (BY MR. GRZYB) Okay. We can move on.

MR. GRZYB: Alfredo, if you give me five minutes to work with Jase, I might be able to focus my remaining questionings to shorten the time.

MR. PÉREZ: Okay, that sounds good. So just come back at 5:00 o'clock?

THE COURT REPORTER: I'm off.

(Recess taken)

Q. (BY MR. GRZYB) So, Mr. Dane, with respect to the credit purchase NewCo outfit, has Fieldwood reached agreements with any companies that have agreed to provide new bonding for NewCo?

A. NewCo has finalized any agreements.

Q. Are they in negotiations with surety companies?

A. Yes.

Q. What companies?

MR. PÉREZ: I am a little concerned about, you know, talking about who the companies are and then some people causing mischief.

MR. GRZYB: That's okay, I will strike

that question.

Q. (BY MR. GRZYB) Has Fieldwood come to an understanding as to how much bonding NewCo will need in connection with its operation post confirmation?

A. I'm sorry, can you repeat that one more time for me?

Q. Is there a bonding level or amendment -- strike the question.

Has Fieldwood come to an understanding on the amount of bonding that NewCo will be required in order to operate post confirmation?

A. Fieldwood's confident it's going to be able to obtain whatever bonding is going to be required in order to operate post confirmation pursuant to the plan. The bonding regulations are obviously significantly influx. There is not any defined number other than statutorily required levels, but Fieldwood, through all of the conversations that it has had with interested sureties, is confident it will be able to provide the required level of bonding.

Q. What about conversations with respect -- I'm sorry.

Has Fieldwood had conversations with the government as to the amount of bonding NewCo will be

required to have post confirmation?

A. Fieldwood has had conversations with the government around certain elements of bonding, but there is -- I don't think it would be appropriate to share all of our ongoing conversations with respect to the government at this time.

Q. And what makes you say that?

A. Well, as with any party, negotiations in process are something that is important to respect confidentiality as those conversations evolve.

Q. So is it -- are you saying that your negotiation -- you're currently in talks with the government as to the bonding requirements for NewCo post confirmation?

MR. PÉREZ: I don't think he testified to that, but --

Q. (BY MR. GRZYB) Is that -- that your testimony?

A. No. My testimony is that Fieldwood has had ongoing conversations with the government regarding various elements related to bonding and that are going to be required through our plan, and Fieldwood's confident that it is going to be able to obtain the required bonding in order to successfully complete the plan.

Q. What is it about the current situation that gives Fieldwood confidence that it will be able to meet the bonding requirements?

A. We believe that we will have the necessary capacity to meet the requirements that will be required in order to successfully conclude the plan.

Q. Does Fieldwood have an estimate of the amount of bonding required that will -- that will be required of NewCo post confirmation?

A. No.

Q. Is that "no"? I'm sorry, I just didn't hear the answer.

A. Yeah, no, that's correct, no.

Q. Is NewCo expected to be a limited life company or is New (sic) expected to go forward as a going concern?

A. Do you mind defining for me what a "limited life company" is.

Q. Is NewCo expected to be a new company, expected to run on forever?

A. I think, you know, that level of hyperbole is probably not in line with any investor expectations, but I do think NewCo is clearly expected to be a going concern post confirmation.

Q. Does Fieldwood expect there to be a set-aside funding decommissioning associated with the NewCo assets?

A. Other than as described in the plan, there is no set-aside funding for decommissioning.

Q. Is it safe, then, to assume that NewCo expects to fund decommissioning obligations from cash flow?

A. Correct.

MR. GRZYB: Subject to follow-up, that's all I have. And I thank you very much, Dane, for -- Mr. Dane, for your time.

THE WITNESS: Thank you very much.

EXAMINATION

Q. (BY MR. BAINS) All right. Good afternoon, Mr. Dane. My name is Brandon Bains. I am counsel for Hanover, Liberty, Travelers, and XL, four sureties for Fieldwood Energy.

I think we have spoken on a couple of occasions before, but you do understand I represent the sureties and issued bonds on behalf of Fieldwood Energy, correct?

A. I do.

Q. And let's just start there. What is a bond?

MR. PÉREZ: Object to the form of the question: Calls for a legal conclusion, but --

Q. (BY MR. BAINS) You can answer.

A. Okay. A bond is a security instrument that's provided in order to secure against certain events which defaults may cause a drawing on the bond and give the beneficiary of that bond the security that it is looking to project.

Q. Do you consider a bond an asset or a liability of the company?

MR. PÉREZ: Object to the form of the question, and assumes facts not in evidence, whether he considers it an asset or a liability. It just gives him a choice, and that assumes facts not in evidence.

MR. BAINES: Noted.

Q. (BY MR. BAINS) You can answer.

A. I would defer to our counsel for the legal definition of a bond as it relates to if a bond is a liability. I don't know that I consider a bond to be -- I certainly don't consider a bond to be an asset. I mean, I don't know that I would consider it to be a liability unless there is the liability that it is -- that is owed under the bond.

Q. Well, let's start with the basics.

A bond is a three-party agreement. Do you agree with that?

MR. PÉREZ: And object to the form of the question: It is calling for a legal conclusion.

Q. (BY MR. BAINS) Mr. Dane, you're the CFO of a major company. Is that accurate?

A. I would agree with the statement that there is conventionally three parties: "The parties" being the obligee, the obligor, and the provider.

Q. Sure. And Fieldwood is the primary obligor of a bond, correct?

A. Depends what bond you're speaking of.

Q. Let's say that it is a bond in favor of the government issued by a surety on behalf of Fieldwood. In such a circumstance, Fieldwood is the primary obligor on that bond, correct?

A. If Fieldwood is listed as the obligor on the form of a bond, then it is the obligor of the bond.

Q. And I want to make sure we're being here clear here. A primary obligor, in other words, that is called the principal on the bond. Are you familiar with that term?

A. Yes.

Q. And the government in this situation

would be the obligee, I think you have used the word "beneficiary," but do you use those interchangeably?

A. Yes.

Q. And on a principal on a bond owes indemnity to its surety, do you agree?

MR. PÉREZ: That's a statement; that is not a question.

Q. (BY MR. BAINS) Do you agree?

A. If there is an indem --

MR. PÉREZ: Calls for a legal conclusion.

THE WITNESS: I defer to our Counsel on these topics, but if there is a --

Q. (BY MR. BAINS) I'm not asking you for legal conclusions. I'm asking you as a CFO of a major company and as CEO of the post-emergent company, you understand that a principal and a bond owes indemnity to its surety?

A. If there is an indemnity --

MR. PÉREZ: Same objection.

Q. (BY MR. BAINS) What was your answer?

A. My answer is that we would have our Counsel review the status of that agreement. A company in bankruptcy, which is -- with an indemnity agreement that could be construed as a pre-petition claim or a rejected executory contract, is not a --

the same as an arrangement in a non-bankrupt company.

But I think your question was: Do I agree that an indemnity agreement is an obligation between one party to indemnify another? I guess that is the basis of what an indemnity agreement is.

Q. Well, I agree with that.

I think my question, though, was just saying that a principal on a bond owes a surety indemnity; that if a surety is paying the debt of another, that is the whole idea behind suretyship, as opposed to like commercial insurance. I'm just curious if you agree with those concepts?

MR. PÉREZ: Again, the same objection.

You're kind of testifying and, you know, why don't you ask him a question.

But I mean, if you -- if you can agree with that, whatever you can agree with.

THE WITNESS: I don't understand some of the words that you're using in the context of the indemnity agreement or the question.

Q. (BY MR. BAINS) Sure, no, I'm happy to rephrase. What do you not understand?

A. The concept of the debts that you're asking about.

Q. Do you understand that a surety is a

secondary guarantor for the principal on whatever bond it is issuing?

A. I understand that --

MR. PÉREZ: The same.

THE WITNESS: I understand --

Sorry, Alfredo.

MR. PÉREZ: No, no, go ahead. I mean, if you -- if you understand exactly what that means, and know it, then testify, but if you -- if you don't, I mean --

THE WITNESS: I understand that an indemnity agreement is a customary feature of a bonding arrangement.

Q. (BY MR. BAINS) True. And I'm talking just, though, about the bonds themselves.

And for reference, how many billion in bonds does Fieldwood have outstanding?

A. Approximately 1.1 billion.

Q. That is a lot. That is a whole lot of bonds. So I would expect, I think, that you would understand how these bonds work. I mean, is that an accurate statement, that's part of your role as CFO?

A. Yes, I believe I do understand how they work.

Q. And forget the indemnity agreement,

forget bankruptcy. Just as a rule of having bonds, by the very nature of a bond being issued, Fieldwood is the primary entity responsible for whatever is being bonded and it owes indemnity to its surety that surety has to pay out.

Do you agree with that statement?

A. Not all bonds --

MR. PÉREZ: Same objection.

Go ahead.

THE WITNESS: Okay. I think the characterization of your question is with -- is trying to extrapolate that every agreement is the same, that all bonds are the same, and you're asking me for certain legal conclusions that I would defer to Counsel on.

All of our bonds have specific provisions that, in many cases, are unique; and there are some common features, like an indemnity agreement, which is a common feature of a bond.

Q. (BY MR. BAINS) You mentioned earlier that the intention of Fieldwood was not to do anything with the bonds -- and I think Mr. Grzyb was asking specifically about the Fieldwood I entity -- that they're just going to be there.

Do you recall that testimony?

A. Yes.

Q. So when you say they're "going to be there," are you envisioning that Fieldwood I would become the new principal in that bond, or rather, that the bond would be something that is -- otherwise transfers through this bankruptcy process?

MR. PÉREZ: Object to the form of the question; assumes facts not in evidence.

Q. (BY MR. BAINS) You can answer.

A. The plan doesn't contemplate the replacement of any principals on any bonds other than by mutual consent amongst the parties.

Q. And I want to make sure -- you said: The plan does not contemplate that? Was that your answer?

A. That's correct, the plan does not contemplate any nonconsensual substitution of principals on the bonds.

Q. So we were talking just a moment ago, I think right before I started in, about this discussion that's been ongoing with sureties to provide new bonds in connection with the NewCo bucket. Do you recall that?

A. Yes.

Q. So were you referring to the idea that

the existing bonds would be replaced by consent, I think to use your word, to substitute a principal, or are you talking about brand new bonds issued on behalf of the NewCo entity?

A. I testified that I believe that the NewCo and any of the entities that require bonding would be able to obtain sufficient bonding as required. I did not -- as I have stated every times, the plan does not contemplate any nonconsensual assignment, allocation or substitution of principal on the bonds.

Q. And I understand that. I just want to make sure that I'm understanding your testimony.

When you're talking about new bonds, you mean completely new bonds issued by a surety on behalf of this NewCo entity and nothing that's already existing as of that point in time?

A. If a new bond is required, I believe that we will be capable of providing any required new bonds.

Q. And would that include indemnity?

A. If the surety provider required an indemnity at agreement, which is conventional, it would include a new indemnity agreement associated with that bond. That would be something that the company would be, as partly -- as part of a -- of a

new bond.

Q. Yeah, after this experience, I feel pretty confident that the surety's going to want an indemnity agreement.

Is their intention --

MR. PÉREZ: Is that a question?

MR. BAINS: No, that's -- that is not a question. I guess I'm agreeing with Mr. Dane that, yeah, I think that's probably going to be -- be requested.

Q. (BY MR. BAINS) Is there an intention by this NewCo group to replace any of the private bonds?

And do you understand what I mean when I say "private bonds"?

A. I interpret a private bond to be a bond issued to someone other than a regulatory authority or BOEM.

Q. So, for instance, a predecessor, there is private bonds where Fieldwood is the principal and a predecessor interest is the obligee, agreed?

A. Yes.

Q. Is there intention of the NewCo group to replace any of those bonds with the NewCo being a principal in favor of the predecessor?

A. The plan does not --

MR. PÉREZ: I am going to object to the form of the question. I am going to object to the form of the question: It calls for speculation as to what, you know, NewCo will do in the future.

THE WITNESS: Yeah, the plan does not contemplate the -- the replacement of those bonds. However, if the parties mutually agree, then it is possible that replacement of the bonds may be issued.

Q. (BY MR. BAINS) Why does the plan not contemplate replacement of those private bonds?

A. Because it does not.

Q. Well, okay. I know it does not, but why does it not?

MR. PÉREZ: Well, I'm going to object to the form of the question. It assumes that it has to. I mean, it is based on a false premise. It doesn't.

MR. BAINS: I'm not assuming that it has to or not.

Q. (BY MR. BAINS) But if it doesn't, why does it not? Why would there be new bonds for the NewCo that you testified to earlier but there would not be new bonds to replace the existing private bonds?

A. When that company --

MR. PÉREZ: Objection.

I think you're kind of arguing with the witness at this point. I think he's answered that question.

MR. BAINS: He has not, but your objection's noted.

Q. (BY MR. BAINS) You can answer.

A. Companies typically go through restructuring in order to relieve the debtor of obligations. Those obligations can take many forms, and our restructuring those obligations take the form of P and A liabilities the company does not -- the company was not capable of satisfying, alongside all of its other obligations, such as financial obligations and debt, et cetera.

And if you're asking me why a company that is in a Chapter 11 restructuring would look to shed liabilities, I think that that's the very nature of what a restructuring is; and I think more specifically, counterparts, like stakeholders such as lenders who are investing in capital into businesses, are looking to invest that capital into a business with a fresh start, and then an ability to generate an attractive return; and to the extent that there are liabilities that are not required to be taken on, then it is -- that is one of the features of a

restructuring.

Q. So when you speak of shedding liabilities, are you referring to shedding the P and A liabilities that these bonds would cover or the indemnity that the Fieldwood would owe to its surety when it has to pay out on those bonds?

A. Oh, liabilities in general -- the ability through the U.S. Bankruptcy Code to deal with liabilities of a company is a feature that's very fundamental to bankruptcy. So I'm talking about any liability. That is something that the Bankruptcy Code allows to be addressed.

Q. Okay.

MR. PÉREZ: Can I have the question read back? Because I am not sure of what the question was.

THE COURT REPORTER: Yeah, just give me a second, I have to un-mute.

(The record was read as requested)

MR. PÉREZ: Okay, can you read the question before that? I apologize, because that's the one I was talking I was wanting to hear.

THE COURT REPORTER: Yes, one moment.

(The record was read as requested)

MR. PÉREZ: Okay, I didn't realize -- I

didn't realize that was the question.

Okay. Thank you.

Q. (BY MR. BAINS) So, Mr. Dane, to kind of regroup, the original question was: Why are there not going to be replacement of these private bonds when there would be new bonds by the NewCo entity? And your answer was that you want to shed liabilities.

So what I'm trying to understand: Are you referring to shedding the liabilities of the P and A obligations or the indemnity to your surety that would have to pay out on those P and A obligations under the private bonds or both?

MR. PÉREZ: Yeah, I am going to object to the question.

I think it kind of mischaracterizes his testimony when you asked him why he wasn't doing it. I think he answered because he doesn't have to, and the rest of the stuff is him, you know --

But go ahead and answer if you can, but -- because I don't believe that was your answer.

THE WITNESS: Yeah, my testimony is that it is not required, and so assuming additional liabilities for a post-petition entity is something that had to be justified or required, and it is not

in this case, in our view.

Q. (BY MR. BAINS) Well, sir, there is a lot about the plan that's not required. I mean, there is nothing that's required that says you have to have some sort of divisive -- or how the hell you say that word -- merger, that you have to have all these different buckets that the -- so none of this is required, it is a choice, it is a strategic choice for the company.

And I'm trying to understand strategically why the company says, we don't want to replace private bonds that are out there.

A. If the company --

MR. PÉREZ: I think he has already answered it twice, because they don't have to. So, I mean, I know you don't like the answer, but -- but he's said that twice already.

MR. BAINS: It's not an answer. If somebody says, "Brandon, why aren't you eating dinner?" I could say, "I don't have to," but a real answer is "because I'm sick" or "I don't like chicken." So it's not an answer to say, "We don't have to."

Q. (BY MR. BAINS) So, Mr. Dane, once again, what the basis of the strategic choice?

MR. PÉREZ: I am going to object: Asked and answered.

You can give him the same answer.

THE WITNESS: The company stakeholders are very cognizant about liabilities that the NewCo is going to have. The company that -- the plan contemplates them investing hundreds of millions of dollars of new capital into, and having a balanced mixed of assets and liabilities is very important for a successful business, and those are decisions that we make whenever we evaluate any type of liability and if it's something that is appropriate to incur or not when not required.

Q. (BY MR. BAINS) How does replacing a private bond lead to liability?

That's the disconnect I'm having with you. You keep saying, we're trying to avoid liabilities and not have a balance. I'm not understanding how those two relate.

A. You had very clearly stated several times indemnity agreements are features of all bonds. That is an expectation of the sureties based on what I thought I heard in your questioning. If those are provisions that are part of replacement bonds, that imposes liabilities on a company, and if that is

something that is not required, then that has to be assessed by the company and its stakeholders if it's appropriate.

Q. Okay. So you testified earlier that Fieldwood wants the bonds to stay in place and carry through, correct?

A. No.

Q. I thought you said earlier that the bonds are there, y'all aren't trying to do anything with them, they're going to stay there.

A. You -- your question said the company wants these things to happen. This -- that is what it is, the bond, when issued, is outstanding to the beneficiary. Our action or inaction does not change that fact.

Q. Well, Fieldwood Energy's the principal on that bond, and Fieldwood Energy is no longer going to exist, correct?

A. Fieldwood Energy is currently the principal on those bonds.

Q. And Fieldwood Energy is not going to exist after confirmation of that plan if it is confirmed, correct?

MR. PÉREZ: I think you're calling for a legal conclusion as to whether Fieldwood Energy is

going to exist after the plan.

THE WITNESS: I agree with Counsel on the future status of the entity itself as it relates to the plan given.

Q. (BY MR. BAINS) What is your understanding -- as the CFO of the company and the proposed CEO of the new company, do you believe Fieldwood Energy is still going to exist?

A. Fieldwood Energy, after this restructuring, is not going to exist in its current form.

Q. Okay. Agreed. Didn't think that was really that controversial, but okay.

So the bonds are there, but yet y'all don't want the indemnity to go with them.

Is that the basic thrust of all of this?

A. I don't understand your question, what your question is.

Q. You want the bonds to stay there in favor of these beneficiaries and pay out, but you don't want indemnity to carry through because it is a liability that the lender group doesn't want to carry?

A. I think you're mischaracterizing the issue in your question. It is not a matter of

desire. The bonds are outstanding. Fieldwood's action or inaction doesn't change that. The plan addresses the treatment of the indemnity agreements, but the wants or need of Fieldwood and its employees doesn't change the reality of the current status of the bonds that are outstanding.
Q. But the lender group desires not to have to indemnify any further?
MR. PÉREZ: Again, calling for speculation.
THE WITNESS: You asked me this question --
MR. PÉREZ: Indemnities are treated under the plan.
Q. (BY MR. BAINS) What was your answer, sir?
A. My answer is that I have answered that question at least four times.
Q. Well, we will let the transcript speak for itself on that. I'm going to jump to Exhibit 20 that you looked at earlier. Let me know when you have it up.
A. I have it up.
Q. Okay. Page six of that gives some projections for the NewCo entity. Let me know when you're there.

A. I'm there.
Q. Okay. It shows that the P and A projections for the next five years for the NewCo entity are right around $5 to six million.
Do you see that?
A. I do.
Q. And that is a pretty low number, isn't it, for P and A on a year-to-year basis?
A. The amount of P and A spending is dictated by the timing and amount of projects that are available to conduct P and A on. So it is a -- it is relative to -- is it low? "Low" is a relative term.
Q. Sure. And I'm saying it is low relative to the number of assets here and low relative to how much it costs to P and A wells of the type that Fieldwood would operate. For instance, do you agree with me to P and A a dry tree well on a platform is like a million and a half bucks?
A. No.
Q. Okay. What's the number?
A. It is not a one-size-fits-all number.
Q. How many wells could be decommissioned for $6 million?
A. That depends on a number of variables.

It depended on your working interesting in the well. If you have a low working interest, you can decommission a large number of gross wells. It depends on the complexity of the wells, it depends on many factors that relate to the particular characteristics of the actual well and your ownership in the well.

The -- I believe the spending is actually very significant relative to the liabilities of NewCo. This spending represents a very significant portion of the total shelf liabilities that NewCo will own.

Q. NewCo's also going to own some deepwater liabilities, correct?

A. Yes.

Q. So it is not just shelf. And deepwater generally is going to be more expensive on a P and A front?

A. The deepwater P and A liabilities are more expensive than shelf liabilities in general.

Q. I mean, for instance, you know, subsea wells and deepwater are in excess of ten million to decommission. Do you agree with that?

A. Generally speaking, they can be in excess of $10 million.

Q. And certainly platforms are far in excess of that?
A. Not necessarily.
Q. Why not?
A. Because it may not cost that much. Deepwater platforms are not fixed structures. Oftentimes the decommissioning of a deepwater platform itself is -- may not be that expensive, depending on the particular type of platform.
Q. So you believe that $6 million a year P and A is going to be sufficient to handle all the P and A obligations that might arise over the next five years for all these assets?
A. The NewCo is going to have almost no required near-term P and A obligations, because most of the assets that comprise NewCo are going to be significant producing assets with remaining reserve life and P and A that largely is not required in the near term.
Q. And is that because the debtors seek to abandon all the bad assets back to the predecessor?
MR. PÉREZ: Object to the form of the question. I don't think that the quality of the assets having anything to do with what's being abandoned. Object to the form of the question, I

think it is a statement. Frankly, it is not even a question. Why don't you ask a question.

Q. (BY MR. BAINS) You can answer, sir.

A. The P and A spend that is anticipated for NewCo is a function of the opportunities that are available to P and A and the timing at which those opportunities are required. And this is actually a very significant amount of spend relative to the obligations that it will have for P and A in each of these periods as we understand the asset base to that.

Q. Right. And then my question was: Is that because there are no assets in here where P and A would otherwise be immediately required because any of those assets have been abandoned back to the predecessors?

A. I don't think --

MR. PÉREZ: Same objection.

Go ahead.

THE WITNESS: I think that mischaracterizes the plan.

Q. (BY MR. BAINS) In what way?

A. The NewCo is assuming significant liabilities. Those liabilities aren't as near term in general. The NewCo has significant P and A

obligations associated with its assets.

In addition, the NewCo is agreeing to financially support and operationally conduct the P and A associated with the field with three assets, which is meaningful; and then there is various consensual arrangements which have been reached which also address the liabilities and NewCo's involvement in managing those liabilities as well.

Q. Do you believe valuable assets have been abandoned?

A. Is your question: Do I believe that the "Abandoned Properties" category contains valuable assets?

Q. Sure.

A. The properties that comprise the "Abandoned Properties" category are generally not high value properties and are comprised of properties that represent liabilities.

Q. Yeah, that's what I just said five minutes ago. And I agree, that was my question.

So that's why you're saying you think that there is not going to be P and A on these NewCo, because anything where there was P and A y'all want to put in the abandoned category; is that fair?

MR. PÉREZ: Again, no, you're making a

statement, and I mean, I think you should ask a question, but it is not -- it is not -- mischaracterizes his testimony and it gives a causal -- assumes a causal link where that hasn't been established.

But go ahead and answer the question, if you can.

THE WITNESS: I believe I already answered this question.

Q. (BY MR. BAINS) Do you recall the question Mr. Grzyb had about whether the NewCo entity is going to be -- what is his term? He said limited life or go on forever. I think you said it was a little bit of hyperbole on going on forever.

But do you recall all of that?

A. I recall that question.

Q. And you said the intention is for the NewCo entity to operate as a going concern post emergence. I believe that was your answer.

Is that accurate?

A. Yes, that was part of my answer.

Q. Well, what is to prevent NewCo from operating let's say on these projections over these five years from stucking (sic) out all the value of these wells and then just declaring bankruptcy and

shedding those same liabilities for P and A five years from now?

MR. PÉREZ: Is that a question?

MR. BAINS: Yes, it is.

Q. (BY MR. BAINS) What is preventing the NewCo from doing that?

A. The NewCo's going to have governance mechanisms in place. The NewCo -- that is not in line with the NewCo's strategic objectives, so I think --

Q. What are -- go ahead.

A. Yeah, I think what is to prevent it is the management and governance and oversight of how the business is conducted and the strategy it pursues, which is not in line with the strategy that you just outlined.

Q. When you say "the strategy that it pursues," what are you referring to?

A. I'm referring to the strategy that you suggested in your question.

Q. No, no, you said the strategy that the NewCo is going to pursue is different than what I had in my question. I'm asking you what that strategy that the NewCo is going to pursue.

A. The NewCo strategy is a business that has

a balanced mixed of assets and liabilities that represents an investable business that's capable of attracting the capital that's required under that plan from the stakeholders that we are dealing with and also the restrictions on capital in the energy environment in general.

The NewCo operating strategy is centered around a disciplined investment strategy with a business that as that has an appropriate amount of capital investment and free cash flow to meet current investor's objectives. That is the strategy of the NewCo entity.

Q. So is that a different strategy than Fieldwood Energy had pre-bankruptcy?

A. The pre-bankruptcy Fieldwood business was a very different business than the NewCo business, particularly due to the differences in the asset base that each of those two entities is going to comprise of.

Q. Why has NewCo not contemplated a sinking fund to handle P and A over the course of the five years and beyond?

A. A sinking fund requires setting aside capital, capital that is unrestricted and available for various other capital allocation purposes, such

as payment of P and A liabilities themselves, debt repayment, capital investment, acquisitions, any other utility to capital. Sinking funds are undesirable because of the impositions that they impose upon the business for other uses of that capital.

Q. So, then, what assurances are there in the plan that Fieldwood III will actually handle P and A?

A. The assurance is of the -- the assurance is a viable business that has the capability of addressing its P and A.

Q. I am going to switch topics a little bit.

You talked earlier about the bids that were received from some of the deepwater assets in June of 2020. Do you recall that?

A. The bids were not received in June of 2020, but I do recall the conversation.

Q. I'm sorry, my notes may be off, but you know what I'm talking about, the bid process to sell the deepwater assets?

A. I'm familiar with that process.

Q. And you said there were five bids, there were seven indications of interest, the highest was $700 million. Do you recall that?

A. Yes.

Q. And you noted that the lenders had some consent rights and ultimately they objected to that bid on a number of different reasons and you kind of ticked through them, including the identity of the bidder. Do you recall that?

A. Yes.

Q. I don't want to know who the bidder is, but what do you mean by the "identity," that they just thought it was someone that couldn't operate or they didn't like them or they owed them money? I don't understand the "identity" part.

A. A counterparty in any transaction is a very fundamental part of a risk profile of a transaction, and so the identity is associated with the counterparty, their business and various other considerations that any counterparty would put into their calculus of a transaction.

Q. Was it your perception that the main issue was these identity issues or the money consideration that would be paid?

A. Do you mind defining the "main issue"?

Q. Sure.

MR. PÉREZ: I think he's asking you to define the "main issue."

MR. BAINS: Oh, I'm sorry, I thought he said: Do you want me to?

Q. (BY MR. BAINS) I'm asking you: What is -- the identity, was that the main issue, or was it the money to be paid was the main issue?

A. The main issues, can you expand for me, the main issue of what?

Q. Well, if somebody came and said, "I will pay you a hundred million dollars but there is an identity problem," is that money enough to overcome that identity problem, or no, money doesn't matter, the main issue is who made this bid? That's what I'm trying to understand.

A. I don't understand your question.

Q. All right. Well, let me -- I am going to break it down. There was a bid for $700 million. You indicated the lenders did not like it because of what I'm phrasing "identity" issues and because of the amount that was to be paid; is that a fair summary?

A. Those were a couple of factors that were used in the discussion around evaluating those bids. That's not -- that's a non-exhaustive list of -- I don't understand what you're -- I don't understand what -- when you say "the main issue," the main issue

with what? With the bid itself, with the process? I don't follow the question.

Q. The main issue with not accepting it. Was the money too low or it didn't matter what the money was going to be, all these other issues outweighed the money?

A. There was issues with the bid itself and then considerations around the process generally that the parties evaluated as -- as part of their decision-making process with respect to the sales process in general.

Q. Were there ever any counterproposals?

A. No.

Q. Why not?

A. Because the stakeholders evaluated the results of that process and their alternatives and other factors outside of the process with respect to our restructuring and they determined that the sales process was not going to be the path with respect to this restructuring at that time.

Q. Do you believe the lenders wanted to sell these properties?

MR. PÉREZ: Object to the form of the question: Calls for speculation.

Q. (BY MR. BAINS) I asked if you believe

that. That is your own self. Do you believe the lenders wanted to sell these properties?

A. I believe that the lenders wanted to inform themselves at the time of what the market may be, and lenders in general like to have many different options, and I don't think that they would have -- that they would have required the company as part of the RSA to have gone through that process if there was no reason at all.

Q. Okay. But that doesn't answer the question of: Do you believe they actually wanted to sell the properties?

A. I gave you my belief of what the lenders' thought process was at that time.

Q. But yet there was never a counterproposal to actually try to sell them to anyone interested?

A. There was not a counterproposal.

Q. Why do you believe the lenders wouldn't just want to credit bid these assets as opposed to this NewCo strategy?

A. I don't understand that, the two different scenarios you're asking about, credit bid versus what?

Q. Just simple foreclosure versus this NewCo structure?

MR. PÉREZ: Again, I object to the form of the question: It calls for speculation.
I mean, if you know, if the lenders have told you why -- why they want to do it that way.
THE WITNESS: The plan does contemplate a sale through a credit bid.
Q. (BY MR. BAINS) Right. But you understand there is a difference on a sale through credit bid under a restructuring plan and the lender simply coming in and foreclosing their interest on those assets? Do you understand the difference?
A. I understand the difference.
Q. Okay. I figured you did.
So why do you believe the lenders prefer the NewCo versus simply coming in and foreclosing their rights?
MR. PÉREZ: Again, calls for speculation as to what the lenders' motivation is as to why they want to do it.
Q. (BY MR. BAINS) Okay. I have drawn that objection now a couple of times. Let's unpack it.
You're going to be the CEO of this new company, correct?
A. I already stated that those were -- that's consistent with the conversations that I have

had with the stakeholders.
Q. Right. And you've had numerous conversations with these lenders group about the plan, correct?
A. Yes.
Q. I'm not asking you what my wife is cooking for dinner; that's speculation.
You know what's going on with these lenders. Is that accurate?
MR. PÉREZ: Again, object to the form of the question. It is not a question. It is just a statement.
Q. (BY MR. BAINS) Is it accurate, sir, that you are aware of what the lenders' expenses are, what their desires are, what their plans are for this company of which you're going to be the CEO?
A. I know what I know. I can only speak to my knowledge. I don't --
Q. Go ahead.
A. I can't tell you what other people know, I can tell you what my impressions are, if there is a question.
Q. What is your impression of why the lenders would prefer a NewCo restructuring structure as opposed to simply foreclosing their rights?

MR. PÉREZ: Again, I am going object to the form of the question.

THE WITNESS: One of the objectives of the overall plan is to have a comprehensive solution for all of the liabilities that currently comprise Fieldwood. That -- that is an important objective. It is an important objective to have a successful plan, and to the extent that we can accomplish that through a Plan of Reorganization, then that is the desired objectives and the thing that is going to be required in order to be successful through this process.

Q. (BY MR. BAINS) Are there enough assets that if the lenders were to foreclose, they could be repaid in full?

A. The -- I think the valuation that our experts have prepared speaks to the value of the parts of the business that are contemplated by the plan as the lender's owner, and I would defer to our experts in terms of the value. There is a claims analysis that's clearly laid out in the Disclosure Statement that shows recoveries.

Q. Yeah. And you're kind of even getting into an area I'm not asking about.

I'm just asking your understanding as the

CFO, there is sufficient assets that if the lenders wanted to foreclose, they could be repaid in full?

A. I think that the values that the plan contemplates and the valuation that our experts have prepared is the only indication of value that is appropriate for us to consider in the context of our plan. So I don't know that I can answer your question in a better way than to point to the valuation that's been performed by our experts on this business.

Q. Again, you're answering a question I'm not asking. Forget valuation, forget the Bankruptcy Code, forget bankruptcy. If you're sitting there at your desk just operating this business, do you believe that Fieldwood would have sufficient assets that if the lenders came and foreclosed because of a covenant default or whatever that they could be repaid in full? That's all I'm asking.

A. Your prior question asked me, well, what's the difference between that plan and a foreclosure and why would the lenders choose one versus the other. The underlying assets are the same assets. The assets of this company that the lenders are willing to support, investing new capital and recapitalizing, comprise the credited purchaser

assets or the NewCo assets. Those assets have been valued by our expert and that is incorporated into the recovery analysis, which does not suggest a full recovery.

Excuse me, let me qualify that, to the first lien term loan lenders, which have $1.1 billion of principal outstanding.

Q. Are you set to receive any sort of bonus or compensation from the NewCo group if the plan makes it through confirmation as part of your role of CEO?

A. No.

MR. BAINS: All right, sir, I don't have any further questions. Thank you. And for reference, my wife is cooking tacos tonight. So now it is not speculation on that either. So thank you for your time.

THE WITNESS: Thank you.

MR. MILLER: Elliot, do you want me to take next or do you want to take next? Are you working on the NewCo entities?

MR. SCHARFENBERG: Yeah, I think that would be fine.

MR. MILLER: The one stuff, again --

MR. SCHARFENBERG: Yeah, my questions are

going to be concerning the abandoned properties primarily.

MR. MILLER: So I think that makes sense for you to go next and maybe I will wrap.

MR. SCHARFENBERG: Okay. Do you want to take a break? We started --

MR. PÉREZ: I think he can go after you guys, so you guys can wrap for the surety.

THE WITNESS: I'm fine with that.

MR. SCHARFENBERG: Okay. Sounds good.

Yeah, and, Mr. Danes, if you need a break --

MR. KNAPP: Yeah, I have a couple of questions as well. And I can go after either of these guys. I just have a few questions on the Fieldwood I P and A primarily.

THE WITNESS: I'm fine with that. Thank you.

MR. SCHARFENBERG: I'm sorry, what was that, Mr. Dane?

THE WITNESS: I'm fine if you would like to continue without a break. Thank you.

MR. SCHARFENBERG: Sounds good.

EXAMINATION

Q. (BY MR. SCHARFENBERG) Well, good

afternoon, almost good evening. My name is Elliot Scharfenberg. My client is RLI Surety. I know we met a few times. And just for reference, we bonded assets in all the various plan buckets but primarily in the abandoned properties group.

So I wanted to pick up, you know, first on something that you were speaking with Mr. Grzyb about, Mr. Dane. I believe you testified earlier that Fieldwood shut in a large number of its wells due to last year's hurricane season; is that correct?

A. So there was two primary events that caused significant shut-ins throughout our shelf asset base. That was originally in the first half of 2020 as a result of the price and economic situation and those field's economic viability; and then secondarily, the storms that took place through the 2020 hurricane season caused a number of facilities to be shut in pending repair and maintenance to bring them back online or determination that they were not going to be brought back online.

Q. Sure. And it is correct that there is still a substantial number of properties or assets that are still shut in?

A. There is still a number of properties that remain shut in.

Q. And including a lot of those properties on the abandoned properties list, correct?

A. The abandoned property lists comprises properties that independently may not have returned to production, but yes.

Q. Sure, sure. And what steps has Fieldwood taken over the last three months, for example, to monitor these shut-in properties to ensure there is no environmental disasters or issues or incidents?

A. Regardless of if a property is shut in or not, our monitoring obligations remain, but that is -- that is -- we maintain these properties to the extent we can pending repair and maintenance activity that's required by conducting the following types of activities: We visit these facilities; if we're not able to man the facility due to required repairs, we do boat visits or helicopter flyovers; in addition, we have spent tens of millions of dollars on operating expense and repair and maintenance expenses to both operate these facilities, monitor them, and maintain them so that there is no environmental exposure.

Q. How many of these properties have you been unable to physically access over the past three months?

A. I don't have that number offhand.
Q. Is it a substantial amount of properties that you just do helicopter flyovers?
A. I don't know what "substantial" means, but there are a number that we are still in the process of completing repairs to so that they can be physically boarded.
Q. Would you say that there is over ten properties or platforms that are not able to be physically visited because of INCs or other issues on those platforms?
A. So I think your question mixes a couple of different concepts. There are probably over ten properties that require additional repair and maintenance to physically board the facility, in which case they are monitored and maintained in other ways.
Q. Does Fieldwood have any cost estimate for how much money it would take to bring all the properties that are not physically able to be visited up to compliance so that they can be physically visited?
A. Yes, we do.
Q. What is that number?
A. With respect to the abandoned properties,

the amount of capital that we have earmarked on a go-forward basis to perform those types of repairs as of a month or so ago was around $6 million, and with respect to the Fieldwood 1-related properties, that is incorporated into our ongoing repair and maintenance budgets, which we are currently spending, in total, approximately $6 million a month on, and will take us several more months in order to complete -- in order to put -- put all of the facilities in the condition that you described.

Q. You said that $6 million were earmarked -- approximately $6 million were earmarked for the abandoned properties to make them safe to, you know, ingress and egress.

Is that the amount that you estimate it will cost to bring all of those lessees' leases into that level of compliance or is that just what you have earmarked for it?

A. That is our cost estimate to restore egress to the facilities and to -- and to resolve any safety related INCs that are outstanding or on those facilities or other safety --

Q. Do you know how much money has been -- oh, I'm sorry, please continue.

A. I was going to say -- or any other

safety-related issues that have been identified.

Q. Do you know how much money has been spent over the past three months, for example, to -- to make safety abandoned properties of that six million that has been earmarked?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: I think approximately --

Q. (BY MR. SCHARFENBERG) Okay. You mean -- it is okay. You know what, I will withdraw the question and ask it a different way.

MR. SCHARFENBERG: You're right, Alfredo.

Q. (BY MR. SCHARFENBERG) Since these wells were shut in, do you know how much money has been spent to cure INCs on the abandoned properties?

A. So the point -- you know, your question about -- I'm just trying to frame it the point in time that you're starting at. I believe in our Disclosure Statement it says that our carrying cost of the abandoned properties in terms of operating expenses that we incur on these properties has been about seven and a half million dollars a month.

In addition to those costs, through the early part of 2020 when a number of the properties at the earliest were shut in, that date comprised the

abandoned properties. We have also conducted a substantial amount of repair and maintenance expense. In some cases we have also expended money on P and A and other costs. It is tens of millions of dollars.

Q. And approximately what percentage of that has been spent on the abandoned property as opposed to properties in the other plan buckets?

A. The numbers I was just describing were with respect to the abandoned properties.

Q. Okay. Got you. And has Fieldwood obtained any suspension of production orders for any of the abandoned properties that are not currently in production?

A. Fieldwood has submitted SOPs for certain facilities that it determined it was -- that it determined it was appropriate to submit SOPs for.

Q. Have any of those been granted?

A. The SOPs that were submitted on those particular properties were relatively recent, and I don't believe they've been granted yet.

Q. Were those SOPs submitted before or after one year after the wells were shut in?

A. An SOP would need to be submitted prior to a year following the date of last production. If it was submitted after that period of time, it would

not qualify for consideration, so we submit --

Q. All of the SO -- I'm sorry. Yeah.

So all the SOPs that you submitted were less than a year since the last production?

A. If they were submitted in a time that would have -- to my knowledge, all of the SOPs that we submitted on any property related to abandoned property were submitted timely such that they could be considered for an SOP if Fieldwood determined it was appropriate to file the SOP for that particular field.

Q. And has Fieldwood had any discussions with the federal government regarding -- excuse me -- a blanket SOP or some similar exception to lease expiration?

A. No.

Q. Does Fieldwood currently operate any abandoned properties that does not have a Transmission Service Agreement in place?

MR. PÉREZ: Again, I'm not quite sure I know exactly what you mean by that.

Q. (BY MR. SCHARFENBERG) Is Fieldwood the operator of any abandoned properties for which there is no Transition Services Agreement in place for after confirmation?

A. So the plan does not require a Transition Services Agreement to be in place. The abandoned properties, I think it's obviously public knowledge the consensual agreements that the company has reached with certain predecessors that represent predecessors in the abandoned properties.

Those predecessors, in addition to Apache, at the time of the original plan filing, the predecessors that we have reached consensual solutions with have expanded to Chevron, and as of the -- as of yesterday when we published to the docket the Eni term sheet, Eni as well, and we are actively discussing consensual solutions with other interested predecessors as well.

Q. But there are still some properties that are slated to be abandoned for which there is no Transmission Services Agreement in place, correct?

MR. PÉREZ: I guess I am going to -- I'm not quite sure what you mean by "Transition Services Agreement." And I apologize, I'm not trying to interrupt, so --

MR. SCHARFENBERG: Sure.

Q. (BY MR. SCHARFENBERG) Is there -- are there properties that no predecessor has agreed to take control or custody of or decommission after

these properties are abandoned?
A. There are properties within the "Abandoned Properties" category for which we have not had consensual solutions with respect to the predecessors and chain of title. In the Gulf of Mexico, the regulations require that predecessors are jointly and severally liable, and that's not depending upon a Transition Services Agreement.
Q. For those properties, what happens to -- what happens after the effective date if there is no predecessor that agrees to pick up these properties?
A. The regulations are very clear about joint and several liability and the government's ability to send orders to predecessors to fulfill their liabilities under these leases, and we have been coordinating with the government with respect to any operated properties that have not as of the time of confirmation or today recently had a consensual agreement in place and the treatment of those properties.
Q. Well, let's talk about those decommissioning orders.
Has Fieldwood reached any understanding with the federal government regarding the issuance of those decommissioning orders to responsible parties?

A. Can you -- would you mind being more specific with your question?

Q. Yeah. Do you have some understanding with the federal government as to what is going to happen with decommissioning orders?

A. We have had a number of --

MR. PÉREZ: And let me -- yeah, and I'm sorry, beyond what the law says will happen, you're talking about some sort of a written agreement or something like that?

Q. (BY MR. SCHARFENBERG) I'm talking about any understanding, whether it is written or oral, just whatever your understanding is. I assume there could be --

MR. PÉREZ: Some of them.

MR. SCHARFENBERG: That there is -- okay, I mean, because he said there is an understanding.

Q. (BY MR. SCHARFENBERG) What is that understanding with regard to your agreement?

Mr. Dane?

A. We would imagine that this would not be different than similar circumstances in the past where the government has issued orders. Two parties, upon a party's default in its obligation to handle the liabilities, we have discussed with the

government the process of issuing orders, and we have discussed with the government -- we have discussed with the government our -- our understanding of how that process works.

Q. Do you understand that orders would go out to non-operated Fieldwood properties that are being abandoned?

A. I understand that the government has the ability to issue orders to any party that it believes has a responsibility, and that could be any and all parties in the chain of title.

Q. Are you aware that the plan, in some instances, has one lease going into both the "Abandoned Properties" bucket and the "FWE I" bucket?

A. A lease, in and of itself, is not a unit that can't be indivisible. We own several -- we own interests in these leases, and the interest in certain cases in the same lease through the divisive mergers that the plan contemplates may be owned within different entities.

Q. And if part of -- you know, part of the lease interest goes into Fieldwood 1 and part of the lease interest goes into the "Abandoned Properties" bucket, do you expect any orders to be issued to decommission the portion of the properties that are

in the "Abandoned" bucket?
A. Can -- I'm sorry, can you repeat the last part of your question? Do I what?
Q. Yeah, again, I will just ask a new question.
Do you -- do you have any understanding of what is going to -- sorry.
Do you any understanding of whether the federal government intends to issue decommissioning orders on properties that were -- where interests are being transferred into both the Fieldwood 1 and the abandoned properties project?
A. To the extent that there is a need to issue an order because of a default on an obligation under the lease, the government has the ability to issue that order to any party and every party.
Q. Has Fieldwood reached any understanding with the federal government as to the allocation of surety bonds to fund decommissioning obligations associated with the abandoned properties?
A. I have testified more times than I could count today that the plan does not contemplate the assignment, allocation, or nonconsensual substitution of principles on any of the bonds that are currently outstanding.

Q. Sure. And understood, but I'm trying to maybe ask kind of a different question.

Do you have any information, knowledge as to how the surety bonds are going to be allocated to fund decommissioning obligations, the BOEM bonds written in favor of the government?

A. What is -- I'm not familiar with what you mean by "allocated" in this context.

Q. So, for example, if there is going to be a property that is going to both "Fieldwood I" and the "Abandoned Properties" group and there is a BOEM bond that covers that property, do you have any understandings of hows that going to be allocated?

A. I am not familiar with the process of allocating a bond. A bond is -- is a bond. It is held by a beneficiary. If the beneficiary has the right to call upon that bond, then they call upon the bonds, if they choose to. I don't -- I'm not familiar with what allocate -- what the consent of allocating a bond is.

Q. Fair enough. For the areawide bonds that are issued in favor of the various debtors, have there been any discussions with the federal government about transitioning those bonds to the new divisively merged entity?

A. The company has discussed its desire to have further conversations with the government about the treatment of the areawide bonds that are currently outstanding, and those are ongoing conversations.

Q. Fair enough. Has the federal government agreed to waive any regulatory rules or requirements regarding any of Fieldwood's lease interests or operate operation?

A. Have they agreed to waive? I'm sorry?

Q. Yes, sir.

A. Yes, can you say that question one more time for me, please, so I understand it.

Q. Yeah. Has the federal government agreed to waive any regulatory rules or requirements in connection with any of Fieldwood's lease interests or operations?

A. Not to my knowledge.

Q. And I guess a similar question: Has the federal government agreed to waive any rules or regulations in connection with any of the transactions contemplated by the Plan of Reorganization?

A. Not to my knowledge.

MR. SCHARFENBERG: Okay. That's all the

questions I have. Thank you, sir.

THE WITNESS: Thank you.

MR. PÉREZ: Who's next?

MR. MILLER: Brad, do you want me to go next or do you want to go next?

MR. KNAPP: Let me go, if you don't mind.

MR. MILLER: That's fine.

EXAMINATION

Q. (BY MR. KNAPP) Mr. Dane, my name is Brad Knapp. I'm with Locke Lord, and I represent HCCI.

I would like to talk about P and A plans in Fieldwood I. Are you familiar with those issues?

A. Generally speaking.

Q. All right. The Fieldwood I assets include a number of terminated and expired leases; is that correct?

A. I believe so.

Q. And those include also leases that have been terminated or expired for over a year; is that correct?

A. I would have to look at our records to confirm that, but I think in certain cases there probably are some assets that have been terminated for over a year.

Q. And you also have a number of leases that

have terminated or expired within the past year; is that correct?

A. Yes.

Q. And you understand that the applicable regulations require decommissioning of leases within a year of expiration or termination; is that correct?

A. The regulations have time frames under which decommissioning needs to be conducted and reconsulted with the regulatory agencies on an ongoing basis about the timing and our ability to conduct certain operations contingent on a number of factors.

Q. Do you have an understanding with the regulatory agencies on what timing -- or, I guess: Is there a timing in place that's unique to Fieldwood right now that departs from the regulations?

A. I don't understand your question.

Q. Do you have an agreement with the government that would extend the one-year shot clock for conducting decommissioning on terminated or expired leases?

A. I already answered that question. With respect to agreements that we have with the government, we waive any existing regulations.

Q. Understood. Understood.

If Fieldwood I did the P and A on all of the expired and terminated leases, do you know roughly what that P and A would cost?

A. For the subset of leases that are only expired and terminated, I don't have that specific number on -- at my disposal.

Q. Well, would it -- let me ask it a different way.

Would the P and A on the terminated and expired leases for Fieldwood I exceed $70 million?

A. I don't know.

Q. Earlier we looked at Exhibit 21, which was the Fieldwood I model, and it had a 2021 P and A schedule with $175 million in P and A activity.

Do you know if that amount is roughly what is needed to cover the terminated and expired leases on Fieldwood I at this time?

A. That amount is not specifically comprised of just terminated and expired leases. It is comprised of activity that has already occurred this year, because it is for the full year 2021, and it is comprised of activities that intended to take place. Most of the activity that happens in any current period is associated with a terminated lease that has already -- that is ripe for P and A.

Q. Right. But that model calls for a schedule with $175 million worth of P and A activity in 2021; is that correct?

A. Yes.

Q. Okay. I want to talk briefly about groundwork that has been laid for the coming up 2021 P and A program. Has Fieldwood sent AFEs for P and A work for the Fieldwood I leases for 2021?

A. We have a process for submitting AFEs relative to the expected timing of each of the projects, and if -- if it is appropriate, we have submitted those AFEs to the appropriate parties.

Q. Do you know for a fact that AFEs have gone out for P and A work --

A. Yes.

Q. -- for Q-1 assets?

Okay. Has Fieldwood I permitted the P and A work for Fieldwood I assets?

A. For assets that are -- that's a very broad statement. Of course we obtain permits for activity that we're going to have to do.

Q. Well, have you obtained permits for going-forward P and A activity for Fieldwood I leases?

A. Yes.

Q. I have seen in Fieldwood productions, it looks like most years Fieldwood will send the government a list of anticipated P and A activities, wells, platforms, et cetera. I did not see a similar document for 2021.

Does Fieldwood have a document that they have communicated with the regulators on the sort of menu of P and A activity planned for the forthcoming year?

A. So obviously this year is quite different than years prior given the effect of this restructuring and the various entities that are going to be created and are contemplated to handle the P and A. For each of those entities that the government has received a copy of many of the same documents that have been produced to the various parties, but the government also has, I believe, a general understanding of the different entities that are going to comprise the plan, which is Fieldwood I, Fieldwood IV, Fieldwood III, the Chevron transaction, the Eni transaction, and the work that's contemplated under those various arrangements.

So the -- I think that our activity with respect to P and A as it relates to each of these entities has been communicated to the government.

Q. I guess in the past you have provided just a document that says: These are the wells and platforms we plan to do this year.

Have you ever sent anything that concise to BOEM or BSEE for 2021?

A. I'm not aware of us having sent a consolidated list of P and A for 2021 given the effect that this restructuring is going to have on the nature of these assets and entities.

Q. Understood. I want to talk briefly about the Incidents of Noncompliance, or INCs.

I believe Fieldwood produced a list with some 187 INCs at one point in time. Has Fieldwood remedies all of these INCs?

A. INCs are something that -- INCs are received in the ordinary course. We have inspectors that are on our facility every day. As you know, we have hundreds of facilities. So in the ordinary course, INCs are received, and INCs that have already been received are resolved.

Having INCs outstanding is just a feature of having a large business in the Gulf of Mexico that's subject to ongoing inspection, and so we have an extremely robust program outstanding to resolve the INCs that require being addressed, and that's

being conducted largely through our going repair and maintenance efforts, which -- which are at a very high level of activity as we speak.

Q. And has Fieldwood received INCs requiring decommissioning of assets?

A. We have received INCs in the past with respect to decommissioning.

Q. And do you know if there are pending INCs requiring decommissioning?

A. Yes.

Q. Has Fieldwood appealed those INCs are or are they just sitting there?

A. We're addressing each one as appropriate.

Q. Okay. Staying on that regulatory subject: Is Fieldwood I now a qualified operator?

A. I don't believe that.

MR. PÉREZ: Yeah, Fieldwood I doesn't exist yet, so --

MR. KNAPP: Well, then I guess the answer's no. I guess the answer's no. Well, I guess my question -- let me rephrase that.

Q. (BY MR. KNAPP) Well, first of all, okay, let's just take it: Fieldwood I does not exist.

Have you had conversations with the government about whether Fieldwood I will be a

qualified operator as of the plan effective date?

A. The government understands the plan and the various entities that are contemplated, and we are working very closely with the government on an ongoing basis to try and facilitate all the elements of the plan that are required.

Q. A quick question going to the financial projections for Fieldwood I, and to just kind of clarify the earlier testimony about what work is planned going forward for the capital spend, the capital spend budget in Exhibit O to the Disclosure Statement contemplates only well recompletions; is that correct?

A. Yes.

Q. Okay. And those well recompletions are based on sort of a general budget for recompletions and not tied to -- there is no specific list of recompletions that are planned; is that correct?

A. With respect to the projections, the basis for the spending on capital related to Fieldwood I and the production contributions was a type curve type of methodology, which was based on our historic results and opportunities that related to those assets. We do have actual lists of opportunities, but that's not the basis for what

those projections are.

Q. So that -- that type --

(Echoing and possible television noise in background)

THE COURT REPORTER: Sorry, guys, somebody's not on mute.

MR. KNAPP: I thought my kid's Mario car game in the other room would be the problem.

Q. (BY MR. KNAPP) So going to that type curve analysis, so what you did, if you could explain in more detail, you know, how does that work?

Does that take past recompletion results and project it on, you know, what you might expect going forward based on your past recompletion programs?

A. That's correct. It is very -- when thinking about the different methodologies to be able to incorporate a defensible capital con -- capital program of recompletion-related projects and the associated production, what we thought was most appropriate was to look at our historic budgeting process and how we have -- and the average performance based on a program of recompletions. Because the timing of an individual recompletion is very specific to the actual wellbore.

And we got so many projects and wells and the challenges of forecasting these particular types of capital projects on an individual basis over an extended forecast period, such as five years, it was, after discussion, determined that the most appropriate way to try and represent what a recompletion program would be capable of delivering would be to use the methodology that we have used, which is consistent with our past budgeting practices.

Q. That makes sense.

MR. KNAPP: I will pass the same to Robert Miller.

MR. MILLER: Thank you, Mr. Knapp. You covered a lot of the ground I was going to cover.

EXAMINATION

Q. (BY MR. MILLER) Good evening, Mr. Dane. I appreciate all the time that you have spent with us.

Earlier this week, revised versions of the proposed Fieldwood I LLC agreement were filed in the bankruptcy case, correct?

A. Yes.

Q. You're generally familiar with those newest versions and the changes in those, correct?

A. I am somewhat familiar with those changes.

Q. Would it be helpful if I put the exhibit file either in the chat or screen shared it with you?

A. Yes, please.

MR. MILLER: Mr. Perez, with your permission, may I do that?

MR. PÉREZ: That's fine. Great.

MR. MILLER: Okay. We will call this Exhibit 27.

(Exhibit 27 marked)

MR. MILLER: So I just put it in the chat so everyone should be able to pull it.

Q. (BY MR. MILLER) And I can --

A. I have access to it.

Q. You have access to it, Mr. Dane?

A. Yes, I do.

Q. Okay. Great, thank you.

All right. So this is a Docket Entry Number 1365, which was filed on the 11th of May. I call this the "Revised Cumulative Redline." Those are two redlines that were filed.

I'm going to -- if you wouldn't mind following with me to, let's see here, page number 18 in the document --

A. Yes.

Q. -- so PDF 18, Romanette D -- E -- or D.

And this is -- and the provided highlighted redline is the language obviously the focus of what most of my questions are. It starts with, "Provided, however the company may."

A. Yes.

Q. Okay, excellent.

MR. PÉREZ: Sorry, Mr. Miller, can you tell me that again. I had a little bit of a difficult time with the document.

MR. MILLER: No problem. So it is on page --

MR. PÉREZ: 33?

MR. MILLER: Pardon. It is D, as in dog. It is on page 18 of the PDF.

MR. PÉREZ: Okay. Sorry.

MR. MILLER: No, you're fine.

Q. (BY MR. MILLER) And I'm starting with the provided highlighted cover, and that's where my question is going to be focused on that, those changes.

The newest versions of the LLC agreement, which, you know, everyone is now looking at, this is the first time the option for what I would call a

"revolving line of credit" in this redline have been included in the LLC agreement, correct, Mr. Dane?

A. I'm not sure if it's the first time it's been included, but I do see it's included.

Q. But certainly it's included in this -- certainly it is included in the one we were looking at. Who requested -- but was this included, then, in the initial iteration of the Fieldwood I LLC agreement?

A. I don't believe so, since it is in the redline.

Q. Correct. So who requested this change to the Fieldwood I LLC agreement?

A. The parties have been working together in order to implement all the various agreements, and these documents have been subject to a lot of ongoing discussion in order to make sure that all the parties are aligned with how the transaction needs to work at exit to accomplish all of the objectives of the parties. And so these are -- these edits are just based on ongoing dialogue along those efforts to make sure that we're capable of performing the transactions that are described in the plan, and after additional review by Counsel of -- to ensure that -- to ensure that fact.

Q. Well, what prompted that addition?
A. This -- I believe this is consistent with the negotiation that there is going to be a draw-out exit to cure the underspend amount, and I believe that this addition is one of the mechanisms to accomplish that objective, which is included in the plan.
Q. Now, let's back up, then.
The standby facility, is that what's being used to draw on to cure the unsent decommissioning -- or the unpaid decommissioning spend?
A. That is a source that would be utilized.
Q. And in this, you know, highlighted text in this what I would call a "revolving credit facility," this is different and apart from the standby facility, correct?
A. This is not the standby facility document.
Q. Correct. Romanette i states -- is, "May establish a working capital line of credit secured by liens subordinated in all respects to the liens and payment of other obligations provided for in the standby facility documentation."
Has Fieldwood had any discussions about

what type of entity might be willing to lend on those terms?

A. No, I have not.

Q. Are you aware of any solicitation for, you know, providing that financing, given that you had suggested that it might be done, you know, on the effective date at emergence?

A. I think like any negotiation around transaction documents, particularly credit agreement documents, one of the key objectives is building in appropriate flexibility so that the company can have options in the future to optimize the business, and provisions like -- like that are common to give borrowers rights to do things which are in support of the business.

Q. To put a more fine point on it, no specific entity has been identified as the source of financing for this addition?

A. I don't believe that -- I don't -- I'm not aware of any third-party conversations with respect to outside capital providers to provide additional working capital at this time to the Fieldwood I entity.

Q. And have you had conversations regarding this, you know, insert with the other maybe plan

proponents, first lien lenders, the -- Apache, other entities that are involved already with the reorganization rather than a, you know, true, non-related-to-the-transaction, to-this-bankruptcy-case third party?

A. The counsel -- modifications to this agreement require the consent of Apache, so their counsel and Apache, I'm certain, are familiar with any changes to these documents. Changes that we made to documents regarding the plan need to be approved not only by our counsel but by lenders' counsel as well. So I think all of those parties are familiar with, and acceptable to, these changes by the time that they first --

Q. Sure, and they all have input.

But my question is more: Are any of those entities potential sources of funding under this provision?

A. I'm not -- like I said, I'm not aware of conversations with respect to parties other than Apache at this time that are providing capital to this entity.

Q. Now I'm going to switch gears just to clean up something that you had discussed with Mr. Grzyb earlier.

You testified that Apache was consulted as part of the sole manager selection process, correct?

A. They were more than consulted. Then there was a procedure that required both parties to agree or otherwise determine the sole manager, so they were involved in that process.

Q. Was Apache the only entity consulted by Fieldwood Energy, the debtor's selection of the potential sole manager?

A. Yes.

MR. MILLER: I think that's -- I think that's a wrap for me.

Thank you for your time, Mr. Dane. I know it's late.

MR. PÉREZ: Do you want to take a few minutes? And then is there anyone else from the surety side?

MR. GRZYB: Alfredo, I switched to telephonic, so I can't see what's going on. This is Darren Grzyb. I have no further questions. I know I mentioned the possibility of follow-ups, but I have nothing further.

MR. PÉREZ: Okay. Thank you.

All right. So, Craig?

MR. DUEWALL: Yeah, let's take five minutes and then get after it.

MR. PÉREZ: How long are you going to be?

MR. DUEWALL: I'm going to be as quick as I possibly can. What is it --

MR. PÉREZ: The only reason is I just got to tell my wife when I can go have dinner.

THE COURT REPORTER: I'm going off.

(Recess taken)

THE COURT REPORTER: Back on the record.

EXAMINATION

Q. (BY MR. DUEWALL) Mr. Dane, my name is Craig Duewall. I represent BP. I thank you for slugging through this today. It has been a long day. We may hopefully have less than two hours left. I will to my best to move through my questions so we can all adjourn the deposition.

And I'm going to skip around because a lot of my questions have already been covered, so bear with me in that respect, too.

I understand that you're a candidate for the new CEO position of NewCo; is that correct?

A. Yes.

Q. Are there any other candidates that you're aware of?

A. No.
Q. Is the rest of the executive leadership team going to be retained also, Mr. Lamme and Mr. Mitchell?
A. The new owners of this business are going to determine what the appropriate organization is going to comprise, myself included.
Q. And has anyone communicated to you whether or not Mr. Lamme or Mr. Mitchell are under consideration to be retained?
A. Yes.
Q. And do you have any personal knowledge as to whether or not it is their intent to stay with the new company?
A. Yes.
Q. It is their intent to stay?
A. Mr. Lamme's intent is to stay. Mr. Mitchell eventually would like to retire. He's had a very long career, but he's willing to support the business as long as the business would like his assistance.
Q. And on the current web page there is three other individuals who have the title of senior vice president, and I'm referring to Mr. Janik, Mr. Seeger, and Mr. Smith.

Are they still with the organization?
A. They are.
Q. And is it their intent to stay also, do you know?
A. Yes.
Q. Okay. So --
A. I believe so.
Q. Let's shift gears and talk about INCs for a minute. We were talking about INCs with the sureties. Is it the company's intent to resolve all of the INCs before the planned confirmation date?
A. It is the company's objective always to resolve as many INCs as they can. Largely, that's a scheduling issue more than anything. The company is not going to be able to resolve all of the INCs prior to the confirmation date, which is only weeks away.
Q. What about the effective date, could the company resolve all the INCs before the effective date?
A. What INCs are you speaking of specifically?
Q. All of them, all of the outstanding INCs before the planned confirmation -- or planned effective date, is that something the company could do?

A. No.
Q. So just so we're clear on the record, before Fieldwood abandons the property, it doesn't intend to resolve all the INCs; is that correct?
A. Correct.
Q. Before Fieldwood abandons the property, is it going to make sure that all of the safety systems are in service and operational on the properties?
A. The operational transition plans that have been developed for each asset contain an asset-by-asset plan that's specific to each property that's appropriate to ensure that these properties are being abandoned or safely transitioned in a manner that doesn't compromise any environmental or regulatory concerns, and that determination is done on an asset-by-asset basis and is a part of our operational transition plans and how we manage these transitions.
Q. During the first bankruptcy, were properties abandoned?
A. No.
Q. So this is the first time that in a leadership capacity you've had to abandon properties in a bankruptcy, correct?

A. For me personally, that's correct.

Q. When you abandon the properties, what does that protocol look like? I mean, are you going to engage in similar to a hurricane evacuation protocol and make sure a structure is left at least as it would be if you were evacuating for a hurricane, or what is your intent?

A. Our intent is to work with responsible parties to ensure a safe transition, and most all, 90 percent, of the parties that -- of the liabilities with this company have featured a responsible party that has been working with us on a transition plan or a consensual solution that will handle the operation of those parties, abandoned or assumed, through one of these entities.

Q. Upon abandonment, are you going to ensure that all of the properties have personal access that is in service and operational?

A. Each of the properties has specific needs and that evaluation is done on a property-by-property basis.

Q. Will there be properties abandoned that can't be accessed?

A. Define "access."

Q. Well, I will define it in the most basic

terms, someone being able to board the property, be it a platform or otherwise.

A. We are working with our internal teams and with the regulators on a status to abandon the properties that is suitable to all the parties.

Q. Is it your understanding that the regulators will allow you to abandon properties without allowing them to be accessible either by boat or helicopter?

A. Our plan contemplates that we're going to look at the needs of each of the properties and what is an appropriate way to abandon the properties, if necessary, in a manner that doesn't compromise any HS&E-related or environmental-related considerations.

Q. Is Fieldwood going to ensure that all navigational aid are in compliance and in service before the properties are abandoned?

A. It is same answer: It is an asset-by-asset determination based on what is appropriate for that particular asset.

Q. Is Fieldwood going to isolate pipelines before the properties are abandoned?

A. Any actions that are going to be taken related to any particular facility are going to be reviewed relative to that specific facility and the

need to ensure that there is -- that it is not going to be compromising any HS&E standards or regulations.

Q. Is Fieldwood going to set storm chokes before the properties are abandoned, is that their intent?

A. It is the same answer.

Q. Is Fieldwood going to drain all of the old storage tanks to remove any hydrocarbon risks before the properties are abandoned?

A. The same response.

Q. Let's talk again about the sales process.

You testified earlier that you received -- the highest offer that the company received was $700 million, correct?

A. The highest nominal value of all the offers was $700 million.

Q. And walk me through again the checklist of the reasons why that offer was deemed unacceptable.

A. I believe I already testified to that.

Q. Could you give me the reasons again, please.

A. The amount was insufficient, the identity of the buyer was concerning and problematic, the conditions contained inside of the offer were

determined to be problematic, including the need for further diligence and a third-party reserve report, the fact that the purchase price needed to be financed by up to 100 percent of the amount, the effect of the effective date and be changed to the purchase price that would ultimately be received, and then -- and probably most importantly, the recognition of this particular sales process in the broader context of a comprehensive restructuring that we are trying to accomplish for the entire Fieldwood.

Q. Did anyone ever communicate to you what an acceptable offer would have been?

A. No.

Q. And answer your testimony is that the 700 million was not countered; is that correct? No counteroffer was made by Fieldwood?

A. That's consistent with what I have said several times.

Q. Great. And the next highest offer was 565 million. Does that ring a bell?

A. I think that's correct.

Q. And that offer wasn't countered either?

A. I don't believe any of the counters were -- counteroffers were countered.

Q. And the next highest number was

400 million; is that correct?
A. I would have to review the offers. I don't recall the offers after the couple that we discussed.
Q. And do you recall an offer of $380 million?
A. Yes.
Q. Do you recall an offer of $180 million?
A. Yes.
Q. Were each of those offers made on the same or similar assets?
A. I believe there were offers that specified that they were not for all the offers, and there were indications of interest likewise that specified that it was for select -- that the interest was being expressed for select assets, I believe.
Q. Were all the offers made to assets -- for assets that are now going to be a part of NewCo?
A. I'm sorry, can you say that one more time?
Q. Sure. The offers that were made -- the $700 million, the 565 million, the 400 million, the 380 million, and the 180 million -- were they all for assets that are being placed into NewCo?
A. All of the assets that -- no, there was

a -- the marketing process contemplated a sale of all of the company's deepwater assets.

Q. And so the assets that are in NewCo are more than or less than was contemplated by, for example, the $700 million offer?

A. Substantially similar, but they're -- the NewCo assets will also comprise 13 shelf properties and minor differences to the deepwater asset base in terms of the overall property set.

Q. Were you surprised at how low these offers were?

A. No, I was not.

Q. Do you believe these offers were reflective of the market that existed at the time they were made?

A. I believe these offers reflected a number of factors, including the fact that this was a process run inside of a highly complex restructuring.

Of course, you know, offers were made -- that are made at a specific point in time reflect the conditions of those at that point in time, but there was a number of -- there was a lot of process complexity as to how this transaction could be accomplished and general process concerns that buyers had given everything else that needed to happen in

our restructuring. So there was lots of reasons why I personally felt a sales process was going to be challenging.

Q. Do you recall if the offers were made on your producing assets, your probable assets, or both?

A. The offers that were made were specific to properties that were either represented as the package of asset that were being marketed through that process or as described in the letter that comprises both producing and nonproducing.

Q. So the $700 million offer, for example, would have been cumulative of both producing and nonproducing properties -- or producing -- strike that.

So this $700 million offer would have comprised of both producing and probable reserves?

A. I think your question depicts a misunderstanding of how assets are sold. You can't separate a probable reserve from a proved reserve. You can't separate a proved, undeveloped reserve if you're selling an entire lease.

Q. Do you think the sales process was properly done?

A. Yes.

Q. You don't have any complaints about it --

about how it was run by your advisors?

A. No.

Q. What are the biggest challenges that NewCo -- or what are the biggest challenges that you think NewCo is going to face as it comes out of bankruptcy?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: I think that it's going to face the same challenges as any operator in our basin. Those challenges could include just the nature of the assets themselves. We have significant assets in deepwater. Deepwater has its own sets of complexities around challenges as well. There are things beyond an operator's control, like weather, hurricanes, commodity prices, which is -- which is not unique to anyone in the oil and gas business, challenges with difficult co-working interest owners or other potential operators in the Gulf of Mexico.

Q. (BY MR. DUEWALL) Is the Gulf of Mexico getting to be an easier place to operate or a more challenging place to operate?

A. I think -- I think it depends on through what lens you look at that question.

Q. Do you think the market in terms of

market participation in the Gulf of Mexico is expanding or contracting?

A. I don't think it is too painfully different than it has been over the last few years.

Q. And so the Gulf of Mexico is complex by its nature, correct?

A. Yes.

Q. You've got access to capital issues when you're operating there. Is that true?

A. Not by definition of being in the Gulf of Mexico necessarily.

Q. You have got the standard appreciation fluctuations and pricing changes associated with any commodity, but especially oil and gas, correct?

A. That's correct, and so oil and gas over -- that are susceptible to prices absent risk mitigation, I would imagine.

Q. How much of your production do you hedge?

A. Historically we have hedged 40 to 60 percent for a one-, two-, three-year period. We are presently hedged about 40 percent of NewCo's projected production over the next year and intend to hedge additional volumes and additional tenor as we get further into that restructuring and at exit.

Q. And the Gulf of Mexico presents

regulatory challenges, true?

A. The Gulf of Mexico is a highly regulated basin.

Q. Does that make it more difficult than it was even as early as maybe four, five years ago?

A. The Gulf of Mexico has always been a highly regulated basin in the last several decades.

Q. And you testified to weather issues and other environmental issues and concerns there, correct?

A. I'm not -- I'm not sure what environmental issues you're speaking of.

Q. Have y'all have had any environmental incidents since you've been associated with the company?

A. I need more clarity even on what you mean by "incidents" to answer that question.

Q. Sure. Have you ever had any employees indicted on environmental issues?

A. Yes.

Q. Was there an event that led to the first bankruptcy, a black swan event or anything that triggered the first bankruptcy filing?

A. I don't think that the challenges that the previous company had were a singular event --

Q. Okay.
A. -- based on my knowledge.
Q. Was there a singular event that led to the second bankruptcy filing?
A. I don't think it was a singular event that led to the current restructuring.
Q. And the same management team was with the company during the first bankruptcy filing; is that correct?
A. No.
Q. Are you the only -- are you the only person from that core group that remains?
A. No.
Q. Who in the current management team was with the company during the first bankruptcy filing.
I will make it easier. Was Mr. -- was it Lamme, was he with the company during the first filing?
A. He was, and he was in a -- yes, he was.
Q. Was Mr. Mitchell with the company during the first filing?
A. I don't believe he was.
Q. Was Mr. Janik?
A. He was.
Q. Mr. Seeger?

A. He was. And he was in a different capacity.
Q. Mr. Smith?
A. He was. I think your question --
Q. I'm sorry, do you have a question?
A. There is obviously a category of people that are not with the company.
Q. Would you like to elaborate on your previous answer? I will give you that opportunity.
MR. PÉREZ: No, I think he would just rather answer questions.
Q. (BY MR. DUEWALL) Okay. Why do you think that this group that has now been through two bankruptcies is up for the challenge of bringing this company out of bankruptcy and doing better a third time?
A. Well, as I stated --
MR. PÉREZ: Object to the form of the question. I don't know about third, but --
Q. (BY MR. DUEWALL) You can answer.
A. It is not a consistent management team with the previous company. Although I don't think that reason, in and of itself, is going to be responsible for the ultimate success or challenges of any future company, but the management team is

fundamentally different today than it was in the past and certainly the asset base is as well.

The nature of the assets that the NewCo is going to own is very fundamentally different than the nature of the company that Fieldwood previously comprised, and that's going to be a significant factor in determining the success, alongside many other factors, such as capital structure, and numerous other factors.

Q. Is -- does the NewCo have a different business plan in that it's going to be more -- drilling new wills as opposed to maintaining Legacy assets? Is that the difference or is it something else?

A. The NewCo's not going to be doing anything that the previous companies don't have experience with. The assets are going to be very different than the asset base that currently comprises Fieldwood today. And I do think the business plan is going to reflect a different business plan both due to the nature of the asset that is NewCo is going to own, the capital structure of the business, the opportunity set, and the stakeholder desires.

Q. How many of the wells at NewCo are wells

that Fieldwood drilled?
A. With respect to the deepwater business, I would say that the -- in 2019 to 2020, the company drilled and completed five deepwater wells. The entire deepwater business, I don't have the number at hand exactly, but it's probably in the order of magnitude of 20, 25 deepwater wells. So a significant number of the wells that the company operates in deepwater were with drilled by the company.
In the shelf, it is very different. The number of new wells that the company owns in the shelf were drilled by predecessors many years ago, and when they received a reached a mature enough state, the customer ordinarily would sell those assets and liabilities to our companies, which is how our company had acquired a number of those liabilities.
Q. So the strategy going forward, then, is to concentrate on deepwater; is that correct?
A. No. The strategy going forward is that the asset base is going to comprise a business that is probably 80 percent deepwater and 20 percent shelf and to have a disciplined capital investment approach in a business that generates significant excess for

cash flow to be able to represent an attractive business proposition to stakeholders that are investing hundreds of millions of dollars of new capital as a part of that restructuring.

Q. So, just to paraphrase what you have said, 80 percent deepwater, 20 percent shelf, and of that 80 percent that's in deepwater, how many are those, again, are wells that Fieldwood has drilled and that you're the first entity in the chain of title?

A. Fieldwood drilled five wells in deepwater on leases that generally have extensive chain of title ownership or very significant predecessor, and more of those wells were drilled with co-working interest owners.

Q. And then now coming out of bankruptcy, it's my understanding that you have -- and was the Genovesa well one of those five or was that considered a different well?

A. No, that was -- that was one of the five.

Q. And now coming out of bankruptcy, it is my understanding that Fieldwood would like to drill six more wells. Is that your drilling plan?

A. The plans generally contemplate one to two three wells per year, but again, the strategy is

focused on a business plan that has a disciplined capital investment program and the ability to generate cash flow.

Q. And those wells are the Katmai 2, 3, and 4, the Gunflint, the CPN, and the Big Bend Number 2; is that correct?

A. Those are wells that are in our inventory and incorporated in our projections. We have a significant inventory that's under a continuous evaluation, and like any company, we're always looking for the best opportunities to pursue at any given time.

Q. Have all of those wells been permitted?

A. No.

Q. Have you any of them been permitted?

A. Can you recite for me which wells again you're -- you're asking about?

Q. Certainly. And I'm not intending to trick you, so if -- if you have a question or if I'm ever inarticulate, and I have been -- I have been that before, just let me know. I want to make sure you understand my questions.

Has the Katmai Number 2 been permitted?

A. It has not.

Q. Has the Katmai Number 3 been permitted?

A. No.
Q. Has the Katmai Number 4 been permitted?
A. No.
Q. Has the Gunflint been permitted?
A. There is multiple wells in the Gunflint and the Gunflint's yield. I'm not aware that those wells have been permitted.
Q. Has the CPN been permitted?
A. No.
Q. Has the Big Bend Number 2 been permitted?
A. No.
Q. Will each of those wells be a similar deepwater well to the Genovesa well or are some of those also shelf wells?
A. The wells that you specified are deepwater wells.
Q. What does it cost typically to drill a well like that?
A. There is a wide range of costs for drilling deepwater wells. A dry hole cost of a sidetrack may be as low as 20 or $30 million. A deep, new well may cost, for the dry hole cost, in excess of $60 million.
Q. What did it cost when you drilled the Genovesa well, just by reference?

A. I believed the dry -- I don't --

MR. PÉREZ: Yeah, if you don't know -- but I'm a little concerned about, you know, continued questions about Genovesa, which, as you know, have been the subject of significant disputes between the parties, and I don't think this is intended to be a deposition relating to Genovesa, but I mean, if you know, the answer, if you have the number, if you know the number.

MR. DUEWALL: If he has a number? He is the CFO. I'm asking him what the budget was when it got drilled. I think he should know that. And I'm not asking anything else right now, so let's not jump -- let's not get too far ahead of ourselves with our objections.

THE WITNESS: Yes, I would have to consult our records. I don't have the number at my fingertips.

Q. (BY MR. DUEWALL) And do you know what the de-com cost would be for a well like the Genovesa well?

A. A deepwater well can cost anywhere from eight to $20 million to be decommissioned is probably a general range.

Q. You cut out when you were talking, and I

don't mean to make you repeat yourself.

A. A deepwater well can generally cost eight to $20 million, which is a general range.

Q. And I understood you to testify earlier that you aren't taking money out of production and putting it aside for future decommissioning costs; is that correct?

A. I was asked earlier if the plan contemplated a specific, dedicated sinking fund, and it does not.

Q. So is -- NewCo's ability to potentially penetrate the Genovesa well, is that going to be conditioned on its ability to drill one of these new six wells that we have talked about?

A. In my opinion, no.

Q. Why not?

A. The company, NewCo, is going to have a very significant producing asset base that is going to independently generate substantial free cash flow, it will make investment opportunities, and those investment opportunities could range from low-cost recompletions in its shelf asset base, of which there are many, and they could also take the form of additional drilling; but I think that there is many business plans that support the liabilities that this

company currently has.
This company is going to be an ongoing oil and gas company, which conventionally means that there is additional future investment that is going to -- that is going to be conducted.
Q. Do you believe the company, then, is feasible if it cannot drill the Katmai 2, 3, and 4, the Gunflint, or the Big Bend?
Is that your testimony?
A. The company -- when you're asking me the company being feasible, are you asking me is the plan feasible? What does the company being feasible mean?
Q. Does the company, with declining reserves -- it is your testimony that you think with declining reserves there is revenue over the short and long term to both satisfy the P and A obligations and the company's ordinary course of business expenses on a day-to-day basis?
A. I don't believe the company's reserves are going to perpetually decline as they pursue that business plan or a version of the business plan that it has the ability to conduct given the quality of the assets that it owns.
Q. Are the best assets of the company, assets that it can't give away to other predecessors?

MR. PÉREZ: Object to the form of the question: Vague.

THE WITNESS: Would you mind restating that question for me? I'm not sure I understand it.

Q. (BY MR. DUEWALL) Sure. I will try again.

As I sit here today, it looks like the company is running out of properties that it can abandon to predecessors. Is that generally a true statement?

MR. PÉREZ: Again, object to the form of the question as vague. I have no idea what that means.

THE WITNESS: I don't understand the question, I'm sorry.

Q. (BY MR. DUEWALL) Sure.

Is there a predecessors that you could abandon the Genovesa well to?

A. I think anyone would be happy to own the Genovesa well.

Q. Is there a predecessor you can abandon the Genovesa well to?

A. The Genovesa well was drilled with two co-working interest owners, and it was a well, as you have stated, that was drilled by Fieldwood.

Q. So there is no -- aside from your two

working interest owners, there is not a party, like a BP or an Exxon or a Chevron, that you can give that one away to; is that correct?

A. I don't -- I don't know what you mean by that, "give that one away to."

Q. That you can abandon it to. You can't abandon it to a predecessor, correct?

A. I think any company --

MR. PÉREZ: Again, I'm going to object to the form of the question. I mean, I don't really understand the question.

THE WITNESS: If the company had a desire to abandon the Genovesa well, I think that there are many, many companies that would desire to own that well.

Q. (BY MR. DUEWALL) What are the other five deepwater wells -- or I guess it is the other four that Fieldwood has drilled that are going to be in NewCo?

A. So in 2000 -- the five wells that I was describing which had activities in 2019 also comprised the Katmai well, which was completed in 2020, the Orlov well, the Troika TA 2 well, and the Troika TA 3 well.

Q. Does Fieldwood have a hundred percent of

the Katmai well that you just referenced?
A. No, it does not.
Q. What is its working interest in that well?
A. It is 50 percent.
Q. What about the Orlov, does it have 100 percent of the Orlov?
A. No, it does not.
Q. How much does it have?
A. I believe it is 55 percent, 50 to 55 percent.
Q. And what about the two Troika wells, do you have 100 percent of those?
A. Yes.
Q. So at least as it relates to the two Troika wells, there is no predecessors that you could abandon those to, correct?
A. No.
Q. And did both of those begin producing in 2019?
A. I believe the two Troika wells began producing in the fourth quarter of 2019.
Q. What would your de-com estimate be for each of those individually?
A. I would have to consult our

decommissioning estimates and experts, but I think that those wells generally fit within the parameters that I outlined earlier to you about typical deepwater wells.

Q. And that amount is again?

A. Eight to $20 million.

Q. As you sit here today, when in the lifespan of Fieldwood would you have to account for those decommissioning costs, at least as it relates to the two Troika wells?

A. Those wells have significant remaining reserve life. It depends upon the fields, not just with respect to those particular wells, and that field has multiple producing wells that -- that lease has multiple producing wells on it at present. So it likely would not be for many, many years in the future.

Q. And your estimate of eight to $20 million, is that an estimate -- or is that a BSEE estimate or how do you come up with that number typically when you budget for that?

A. The range that I suggested was informed by my general review of our P and A estimates and also the recent deepwater P and A activity that the company has conducted and anticipates conducting.

Q. And how many wells have -- how many deepwater wells specifically have -- has Fieldwood decommissioned during your tenure there?
A. I believe it is two, one to two. We have been non-operators on deepwater wells that have also been decommissioned on more than those wells.
Q. Generally speaking, what is the nature of the dispute that Fieldwood is having with LLOG regarding the five percent ORRI?
A. Fieldwood believes that that ORRI is a separate property interest unrelated to any security rights that LOG believes that it may have pursuant to an operating agreement and a separate interest in the same field.
Q. Has Fieldwood received any offers of interests in the last 30 days regarding any of the properties that it previously put forward in the sales process that we discussed earlier in the deposition?
A. Not that I'm aware.
Q. Do you know if the plan or any of the plan agreements contemplate any of the predecessors getting an override in NewCo to -- in any way, shape or form?
A. I'm sorry, can you say that one more

time, please?

Q. Sure. Are any of the predecessors receiving an ORRI in NewCo?

A. No.

Q. Do you have any personal knowledge of why the Ryder Scott audited reserve reports were not used or relied upon by your expert when he prepared the expert report?

A. I believe there is reserves inputs that are a part of our expert report.

Q. Right. But do you know if your expert relied upon the audited Ryder Scott reserve reports?

If you don't, you don't. I just want to know what your personal knowledge was with regard to the use of the Ryder Scott reserve report as it related to the preparation of your expert reports in this case?

A. Yeah, I know that there is reserves data that is relied upon in the expert report. So I'm not clear as to your question. I don't know if it is the same specific report that you're referring to.

I know that the expert report cites both the midyear reserves, as well as the year-end reserves in a determination of the expert's findings based in either scenario.

Q. Do you have any personal knowledge regarding the use of the Ryder Scott report by your expert?

A. None other than what is represented in the expert report.

Q. Okay. Let's talk a little bit more about decommissioning projections and costs from NewCo.

Do you have any knowledge with regard to the decommissioning costs that were referred to on the first day filing declarations?

A. I would have to understand more specifically what you're asking about.

Q. Okay. How many P and A projects has Fieldwood undertaken in the last five years?

A. I don't know if I can speak specifically to that timeframe, but since Fieldwood -- since inception in 2013, the company has extended over I believe it is a billion and a half dollars, decommissioning well over a thousand wells, I believe 1,200 wells, over 400 platforms and structures and several hundred pipelines.

Q. Has it been your experience that you routinely can do that for less than what BSEE estimates costs to be?

A. So decommissioning processes are very

project-specific and in many cases we have decommissioned for far below BSEE estimates. BSEE estimates comprise a number of different numbers. There used to be a single number. Now there are estimates that comprise P-50, P-90 deterministic estimates. And it's -- it's challenging to paint all projects with one brush.

Q. So, generally speaking, is it your opinion that BSEE -- that because it is a -- well, strike that.

Do you have a general opinion of BSEE estimates, good, bad or otherwise?

A. I think the BSEE estimates are in some cases not comparable to the actual properties, in some cases they can be a fair representation; and it is -- it is challenging as a whole across a very large asset base, like Fieldwood's, to look at numbers other than analysis that has been performed specifics to the assets themselves.

Q. When you're engaging in the P and A operation, do you report back to BSEE what your actual expenditures were in that part of the process that you engage in with them?

A. I believe that within the last couple of years, there are required regulatory costs

reporting -- reports.

Q. And has it been your experience the last couple of years as you have engaged in that process as an operator the BSEE costs have become more reliable, or do you have any opinion in that regard?

A. The same answer as before, the -- the reliability is property-specific and it is -- I don't think it is -- I don't think it -- I don't think that the estimates, unless -- I don't think the estimates, broadly speaking, to the nature -- versus the nature of the assets that Fieldwood currently owns are the most representative tool by any means.

Q. What percentage of plugging and abandoning costs included in the Disclosure Statement projections relate to shelf assets, if you know?

A. What specific number are you referring to in the Disclosure Statement, of the total decommissioning?

Q. Right. I mean, is it 10 percent, 20 percent? Do you have a general opinion?

A. I would estimate that the shelf properties P and A reflects approximately 75 percent of the overall obligations, possibly maybe -- maybe a bit more than that, maybe 80 percent, 85 percent. 75 to 85 percent, I would guess.

Q. And do you have any opinion of the costs associated with decommissioning of State of Texas-leased property?

A. Yes.

Q. And generally what's the budget range that you use as a rule of thumb?

A. Costs are not a function of the State or geographic location that the asset resides in. It is most -- it is mainly related to the nature of the projects as opposed to the geographic location.

Q. And I will tell you the reason I'm asking is that BSEE doesn't provide estimates for State leases, so I was curious as to what -- in terms of your experience, what would you use as a rule of thumb estimate for a State lease?

A. The same answer I just gave you, it depends on --

Q. Do you have a dollar amount?

A. You didn't ask me a question that I can answer.

Q. Okay. Well, I will try, then.

Do you have a dollar amount that you generally budget for a State of Texas lease?

A. No.

Q. Looking back to your first bankruptcy

filing, do you know if you or anyone with the company has ever analyzed the reasonableness of the management team's projections -- and what I'm referring to there is the Exhibit O to the Disclosure Statement -- by preparing the projections included in the 2018 Disclosure Statement dated February 15th, 2018 and comparing those to the 2018 or 2019 historical operating results of the company?

A. Yes.

Q. And did you reach any conclusions in that regard?

A. Yes.

Q. And can you share those with me?

A. Actual results were different for a variety of factors.

Q. Can you explain what those factors were?

A. The price environment obviously deteriorated very substantially over the past year and a half versus the price environment back in 2018. Initially in the first period, the projections were not too materially different. The profitability was mostly lower, the capital spending was substantially lower, and the free cash flow was probably higher.

In subsequent years, '19, the production estimates were meaningfully below the projections due

to the delayed capital spending from 2018, which resulted in substantially higher free cash flow in 2018; the capital spending in 2019 was substantially above the projections; and 2020, the business obviously was substantially below the projections due to -- largely due to the changes in the business environment that impacted the business in 2020, starting with the Covid-induced price changes, then due to the nature of the restructuring event that we undertook, the changing of the shelf asset base in the storm season. Those were -- those were the observations that I had.

Q. Any others?

A. The question was: Observations of changes versus actual versus projected performance? Those are my main observations.

Q. Okay. Have you understood the questions that I have asked this afternoon -- or this evening?

A. Not all of them.

Q. You answered them to the best of your ability?

A. I believe so.

Q. Have you answered truthfully and honestly?

A. Yes.

Q. And have I treated you with courtesy during today's deposition?
A. Yes, you have.
MR. DUEWALL: All right. I pass the witness.
THE WITNESS: Thank you.
MR. PÉREZ: All right. I guess we can go have dinner. We will reserve our questions to the hearing, time of trial.
(Proceedings concluded at 6:43 p.m.)

CHANGES AND SIGNATURE

PAGE LINE CHANGE REASON

I declare under penalty of perjury that the foregoing is true and correct.

____

MR. MICHAEL T. DANE

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, by the witness, MR. MICHAEL T. DANE, on this the _____ day of _______________________, 2021.

____

NOTARY PUBLIC IN AND FOR

THE STATE OF _________________

My Commission Expires: __________

STATE OF TEXAS
COUNTY OF HARRIS

REPORTER'S CERTIFICATE
ORAL DEPOSITION OF
MR. MICHAEL T. DANE
May 13, 2021

I, Michelle Hartman, the undersigned Certified Shorthand Reporter in and for the State of Texas and Registered Professional Reporter, certify that the facts stated in the foregoing pages are true and correct.

I further certify that I am neither attorney or counsel for, related to, nor employed by any parties to the action in which this testimony is taken and, further, that I am not a relative or employee of any counsel employed by the parties hereto or financially interested in the action.

That the deposition transcript was duly submitted on __________________ to the witness or to the attorney for the witness for examination, signature, and returned to me by ___________________.

SUBSCRIBED AND SWORN TO under my hand and seal of office on this _______ day of May, 2021.

Michelle Hartman
____

Michelle Hartman, CSR, RPR
Texas CSR 7093
Expiration: 12/31/21

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